COMMONWEALTH UNIVERSITY OF PENNSYLVANIA

FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2026



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COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
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INDEPENDENT AUDITORS' REPORT

Council of Trustees
Commonwealth University of Pennsylvania
of the State System of Higher Education
Bloomsburg, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Commonwealth University of Pennsylvania of the State System of Higher Education (the University), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component units as listed in footnote 1, which represent 100% of assets, net assets, and revenues of the aggregate discretely presented component units as of June 30, 2026. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the discretely presented component units, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Emphasis of Matter

As discussed in Note 1, the financial statements of the University are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the Pennsylvania State System of Higher Education (the System) that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the System, as of June 30, 2026, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules of Proportionate Share of Net Pension Liability, OPEB Liability, Proportionate Share of Net OPEB Liability, and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
November 2, 2026

The purpose of management's discussion and analysis (MD&A) is to help stakeholders understand what the financial statements and notes in this financial report reveal about Commonwealth University of Pennsylvania's (the university) financial health and why it changed since last year. It has information drawn from those other parts of the report, along with staff-informed analysis to aid in understanding.

For further information about these financial statements, contact Commonwealth University of Pennsylvania, Financial Services, 400 East Second Street, Bloomsburg, PA 17815.

Overview of the Financial Statements

Commonwealth University, established on July 1, 2022, from the integration of Bloomsburg University of Pennsylvania, Lock Haven University of Pennsylvania and Mansfield University of Pennsylvania, is one of ten universities that, together with the system office, comprise Pennsylvania's State System of Higher Education (State System), a component unit of the Commonwealth of Pennsylvania (Commonwealth). As a public university of the Commonwealth, the university is charged with providing high quality education at the lowest possible cost to its students. With 10,829 students enrolled for fall 2025, the university had the 2nd largest enrollment of the State System's ten universities.

The university's financial statements include:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

These basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

Separately, the financial statements of discretely presented component units – such as university foundations and affiliated organizations – are included to provide users with information about entities that are legally separate from, but financially significant to, the university. They are prepared in accordance with Financial Accounting Standards Board (FASB) requirements. The university considers its three foundations (BUF, LHUF, and MUMF) and three student government bodies (CGA, SAS and CCSI) major component units, with the remaining three (HRC, CEF, and MAC) aggregated as non-major component units.

The component units' financial statements include:

- Component Units Statement of Net Position (Statement of Financial Position)
- Component Units Statement of Revenues, Expenses and Changes in Net Position (Statement of Activities)

More details about the organization and reporting entity of the university can be found in the first note to the financial statements, The Nature of Operations and Summary of Significant Accounting Policies.

The last section of this report presents the Notes to Financial Statements and the Required Supplementary Information. Together, they provide key details and context by expanding on reported amounts, explaining how those amounts were determined and disclosing information, such as certain contingencies, not included in the statements.

Statement of Net Position

The *Statement of Net Position* reports the balances of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the university as of the end of the fiscal year.

- *Assets* include cash; investments reported at market value; the value of outstanding receivables due from students and other parties; and land, buildings and equipment reported at cost, less accumulated depreciation, and right of use, subscription, or other intangible assets less accumulated amortization.
- *Deferred Outflows of Resources*, defined as a consumption of net position that applies to future periods, reports the deferred loss on bond defeasance; and certain items associated with the pension and other postemployment benefits (OPEB) liabilities such as health and tuition benefits expected to be paid to eligible current and future retirees.
- *Liabilities* include payments due to vendors, employees, and students; revenues received but not yet earned; the balance of bonds payable; and amounts estimated to be due for items such as workers' compensation (the university is self-insured); compensated absences; pension benefits; OPEB; and lease and subscription liabilities.
- *Deferred Inflows of Resources*, defined as an acquisition of net position that applies to future periods, reports the deferred gain on bond defeasances; the fair value of irrevocable split-interest agreements; certain items associated with the pension and OPEB; and deferred income associated with lessor leases.
- *Net Position*, informally referred to as Net Assets, is the sum of Assets and Deferred Outflows of Resources less Liabilities and Deferred Inflows of Resources.

Statement of Revenues, Expenses and Changes in Net Position

The *Statement of Revenues, Expenses and Changes in Net Position* reports the revenues earned and the expenses incurred during the fiscal year. The result is reported as an increase or decrease in net position. In accordance with GASB requirements, the university has classified revenues and expenses as either operating or nonoperating.

Statement of Cash Flows

The *Statement of Cash Flows* provides information about the university's cash receipts and cash payments. It can be used to determine the university's ability to generate future net cash flows, meet its obligations as they come due and its need for external financing.

Financial Summary and Detailed Analysis

Commonwealth University's fiscal year 2025-26 results reflect two different trends. Total net position increased by $34.3 million, driven by a $55.6 million decrease in the university's unfunded pension, OPEB and compensated absences liabilities, net of related deferred outflows and inflows of resources. Most of this decrease resulted from actuarial changes, including the State System's transition to a Medicare Advantage plan for Medicare-eligible retirees, and did not provide resources to support operations. Excluding these liabilities, net position would have decreased by approximately $21.3 million.

At the same time, cash and cash equivalents decreased by $14.5 million to $56.0 million, and unrestricted net position, excluding the unfunded liabilities and related deferrals, decreased by $20.9 million to $25.9 million. These results reflect a recurring imbalance between revenues and expenses. Enrollment declines continue to reduce tuition, fee and appropriation revenue faster than costs can be reduced, while compensation, healthcare and utility costs continue to rise. One-time resources, including the upcoming debt defeasance, provide meaningful relief but do not resolve this imbalance. Management's response, including planned workforce reductions and the closure of the Clearfield teaching location, is discussed in the Currently Known Facts, Decisions, or Conditions section.

Statement of Net Position

The following table provides a summary of the university's statement of net position at June 30, 2026 and 2025.

Statement of Net Position

(in millions)	June 30, 2026	June 30, 2025	Change from Prior Year
Assets			
Cash and cash equivalents	$56.0	$70.6	(20.6%)
Capital assets, net	332.3	341.0	(2.6%)
Other assets	30.4	30.9	(1.6%)
Deferred outflows	33.7	44.2	(23.6%)
Total assets and deferred outflows	452.4	486.6	(7.0%)
Liabilities			
Workers' Compensation	1.3	1.3	(4.9%)
Compensated absences	19.5	20.1	(3.1%)
Net pension liability	126.2	155.9	(19.0%)
Net OPEB liability	97.9	163.7	(40.2%)
Bonds payable	127.5	137.6	(7.3%)
Lease obligations and financed purchases	4.2	3.7	15.5%
Other liabilities	46.6	39.5	17.7%
Deferred inflows	132.0	101.8	29.7%
Total liabilities and deferred inflows	555.1	623.6	(11.0%)
Net Position			
Net investment in capital assets	195.1	197.5	(1.2%)
Restricted	16.8	14.8	13.8%
Unrestricted	(314.6)	(349.3)	9.9%
Total net position	(102.7)	(137.0)	25.0%
Total liabilities, deferred inflows, and net position	$452.4	$486.6	(7.0%)

Total assets and deferred outflows of resources decreased by $34.2 million, or 7.0%, primarily due to a $14.5 million decrease in cash and cash equivalents, an $8.7 million decrease in net capital assets as depreciation exceeded capital additions, and a $10.4 million decrease in deferred outflows of resources related to pension and OPEB. Total liabilities and deferred inflows of resources decreased by $68.5 million, or 11.0%, driven by a $95.5 million decrease in net pension and OPEB liabilities, a $10.1 million decrease in bonds payable, and $0.6 million decrease in compensated absences. These were partially offset by a $30.2 million increase in related deferred inflows of resources, a $7.1 million increase in other liabilities (largely $5.6 million in accounts payable to suppliers and $1.8 million due to component units), and a $0.5 million increase in lease obligations.

Net Position

Overall, net position increased by $34.3 million in fiscal year 2025-26. This compares to an increase of $45.8 million in fiscal year 2024-25 from fiscal year 2023-24.

In accordance with GASB requirements, the university reports three components of net position:

- **Net investment in capital assets** is the cost of land, buildings, improvements, equipment, furnishings, library books, right of use leases and subscription assets, net of accumulated depreciation and amortization, less any associated debt (primarily bonds payable). This balance is not available for the university's use in ongoing operations since the underlying assets would have to be sold in order to use the balance to pay current or long-term obligations. The Commonwealth prohibits a state university from selling university land and buildings without prior approval.
- **Restricted** net position represents the portion of balances of funds received from the Commonwealth, donors, or grantors who have placed restrictions on the purpose for which the funds must be spent. *Nonexpendable* restricted net position represents the corpus of endowments and similar arrangements in which only the associated investment income can be spent. *Expendable* restricted net position represents the portion of restricted funds that is available for expenditure as long as any external purpose and time restrictions are met.
- **Unrestricted** net position includes funds that the university president has designated for specific purposes, auxiliary funds, and all other funds not appropriately classified as restricted or invested in capital assets.

Unrestricted net position includes three liabilities that the university does not fund – compensated absences, net pension liability and OPEB liability – along with the respective deferred outflows and deferred inflows of resources. Because these liabilities will be realized gradually over future years, and because of their size, the universities are expected to fund these liabilities as they become due, often referred to as a "pay-as-you-go" basis.

The university's liabilities related to unfunded future compensated absences, unfunded future pension and retiree healthcare costs amount to $340.5 million, inclusive of associated deferred inflows of resources (DIR) and deferred outflows of resources (DOR). The university has no control over $184.3 million of this amount, which represents its share of the retirement and postemployment benefit plans administered by the Commonwealth (SERS, PSERS, REHP and PSERS OPEB), since the Commonwealth determines the benefit structures, and employer and retiree contribution rates for these plans.

Below is a summary of the effect of the three unfunded liabilities, including the related DOR and DIR, on the university's net position. The university's Alternative Retirement Plan is a defined contribution plan and has no liability.

Effect of the Unfunded Liabilities, including the respective Deferred Outflows of Resources and Deferred Inflows of Resources, on Unrestricted Net Position

(in millions)	June 30, 2026	June 30, 2025
Unrestricted Net Position when the effect of the unfunded liabilities is included	($314.6)	($349.3)
Pension Liabilities, including DOR and DIR		
SERS Pension	116.8	125.9
PSERS Pension	10.5	12.1
Alternative Retirement Plan	-	-
Total Pension Liabilities	127.3	137.9
OPEB Liabilities, including DOR and DIR		
SSHE OPEB Plan	136.6	168.4
REHP OPEB Plan	56.5	69.1
PSERS OPEB Plan	0.5	0.6
Total OPEB Liabilities	193.7	238.1
Compensated Absences Liability	19.5	20.1
Total Unfunded Liabilities, including DOR and DIR	340.5	396.1
Unrestricted Net Position when the effect of the unfunded liabilities is excluded	$25.9	$46.8

Excluding the unfunded liabilities and related DOR and DIR, unrestricted net position decreased by $20.9 million, or 44.7%, from $46.8 million at June 30, 2025, to $25.9 million at June 30, 2026. The decrease reflects the university's operating results for the year, as reduced enrollment, lower federal and state student grant funding and lower investment income outpaced the revenue gained from the tuition and technology tuition fee increases.

The increase in net position does not indicate that recurring operations were balanced. The increase was driven by the largely noncash, actuarially determined decrease in unfunded liabilities. The $20.9 million decrease in unrestricted net position mentioned above, which reflects the resources available to support ongoing operations, is consistent with the $14.5 million decrease in cash. Net cash provided by operating and noncapital financing activities, including state appropriations, totaled only $2.3 million, which was not sufficient to fund $19.5 million of net capital and debt-related payments.

The **net pension liability**, along with the related deferred outflows and inflows of resources, is the university's allocated share of the Commonwealth's unfunded defined benefit pension obligations, offset by assets set aside by the Commonwealth in a qualified trust to pay the future benefits that are promised to current employees, retirees and their beneficiaries. As of June 30, 2026, its impact on net position was $127.3 million, down from $137.9 million at June 30, 2025. The university funds this liability on a pay-as-you-go basis, contributing only the contractually required annual amounts to the State Employees' Retirement System (SERS) and the Public School Employees' Retirement System (PSERS).

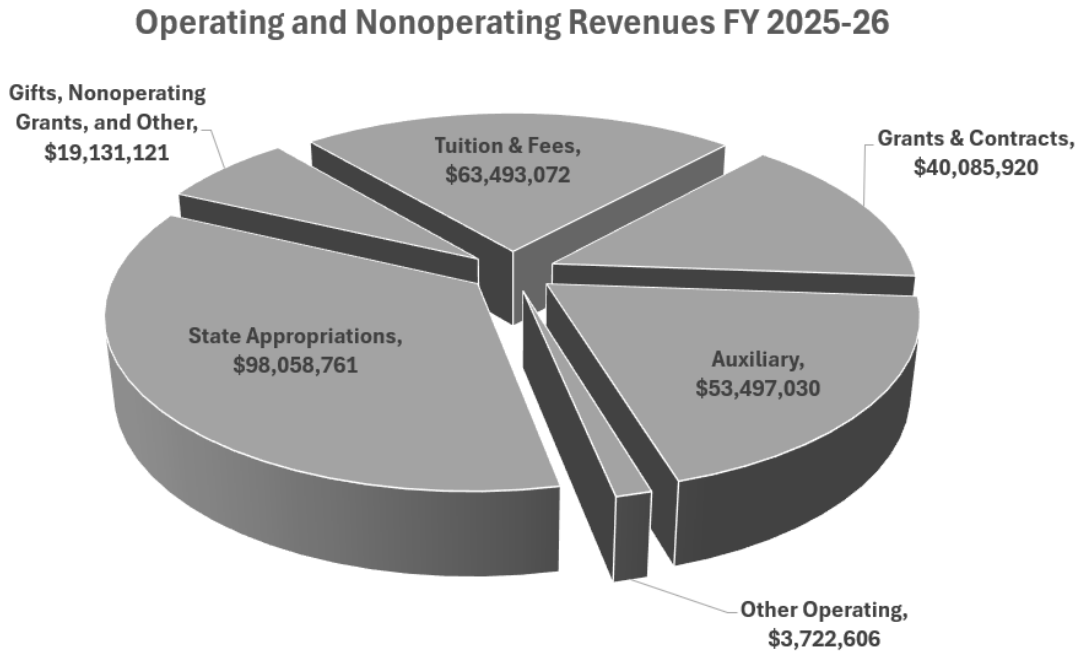
The **OPEB liability** reflects estimated future healthcare costs for current and future retirees. As of June 30, 2026, its impact on net position was $193.7 million, down from $238.1 million at June 30, 2025. The decrease is primarily attributable to the State System's plan, where the July 1, 2025 actuarial valuation reflects the implementation of a fully insured Medicare Advantage PPO plan for Medicare-eligible retirees and covered spouses, which materially reduced the total OPEB liability. Like pension liabilities, the university funds OPEB on a pay-as-you-go basis, making biweekly payments for actual claims under the State System plan and required contributions to the Retired Employees Health Program (REHP) and PSERS as set by the Commonwealth.

The **compensated absences liability** reflects the dollar value of unused leave earned by employees, based on current salary, and recognized under GASB Statement No. 101. It includes annual, personal and sick leave eligible for cash payout upon retirement or termination. The liability decreased from $20.1 million at June 30, 2025, to $19.5 million at June 30, 2026.

More details about these liabilities can be found in the notes to the financial statements on Note 8: Compensated Absences, Note 9: Other Postemployment Benefits, and Note 10: Pension Benefits, as well as the Required Supplementary Information.

Revenues and Gains

The following chart illustrates the composition of the university's total revenues and gains for fiscal year 2025-26, and the table that follows summarizes the university's revenues and gains for the years ended June 30, 2026 and 2025.



Revenues and Gains			
(in millions)	**June 30, 2026**	**June 30, 2025**	**Change from Prior Year**
Operating Revenues			
Tuition and fees, net	$63.5	$61.0	4.2%
Grants and contracts	40.1	45.9	(12.6%)
Auxiliary enterprises, net	53.5	52.5	1.9%
Other	3.7	4.4	(15.4%)
Total Operating Revenues	**160.8**	**163.7**	(1.8%)
Nonoperating revenues and gains			
State Appropriations	$98.1	$132.8	(26.2%)
Federal & state approp. & grants-COVID	-	5.1	(100.0%)
Investment income, net	2.6	4.4	(41.7%)
Gifts, nonoperating grants, and other	16.6	17.0	(2.7%)
Total Nonoperating Revenues and Gains	**117.2**	**159.4**	(26.5%)
Total Revenues and Gains	**$278.0**	**$323.1**	(14.0%)

Overall, fiscal year 2025-26 operating revenues decreased by 1.8% from the prior fiscal year, as increases in net tuition and fee revenue and net auxiliary revenue were more than offset by lower grants and contracts revenue. Nonoperating revenues and gains decreased by 26.5%, primarily because fiscal year 2024-25 included a one-time $37.9 million special appropriation used to defease Mansfield's Student Housing Phase II Series AT bond, as well as $5.1 million of COVID-related appropriations and a $3.3 million gain on that bond defeasance, none of which recurred in fiscal year 2025-26. Overall revenues and gains decreased by 14.0% from the prior fiscal year. Excluding the fiscal year 2024-25 special appropriation, total revenues and gains decreased by 2.5%. These changes are discussed further below.

During fiscal year 2025-26, the university implemented GASB Statement No. 103, *Financial Reporting Model Improvements*. One effect of this statement was to reclassify Pell grant revenue from nonoperating revenues to operating grants and contracts revenue. For comparability, fiscal year 2024-25 amounts presented in this discussion have also been reclassified to reflect this change.

Tuition and fee revenue

Tuition and fee revenue is shown net of discounts and allowances as well as bad debt expense. Discounts and allowances represent financial aid to students in the form of grants, scholarships and waivers. Net tuition and fees were $63.5 million in fiscal year 2025-26 compared to $61.0 million in fiscal year 2024-25.

In July 2025, the State System's Board of Governors approved a $139 per-semester increase in basic in-state undergraduate tuition. This change increased tuition by 3.6% and ended seven consecutive years of frozen rates. As a result, base tuition for most full-time Pennsylvania residents was $3,997 per semester ($7,994 for the full 2025-26 academic year). The rate for most nonresident undergraduate students increased to $19,986 for the 2025-26 academic year. Basic graduate tuition rates increased to $534 per credit for residents and $801 per credit for nonresidents.

Beginning in academic year 2025-26, rate-approving authority for the **technology tuition fee** was delegated to the universities' Councils of Trustees. The university's Council of Trustees approved an increase in the fee to $718 for full-time in-state students and $1,092 for full-time out-of-state students, an increase of $240 and $364, respectively. All funds raised by the technology tuition fee are used directly to benefit student learning, supporting technology infrastructure, the campus network, student labs, classroom presentation systems and other technologies used by faculty and students on the Commonwealth University campuses.

The university's fall 2025 student headcount was 10,829, a decrease of 274 students, or 2.47%, from fall 2024. Undergraduate enrollment decreased by 361 students, while graduate enrollment increased by 87 students. Following is a summary of fall enrollment.

Year	Fall Enrollment	% Change
2025	10,829	(2.47%)
2024	11,103	(0.05%)
2023	11,108	(8.15%)

Following is a breakdown of selected fall enrollment information.

Fall Enrollment				
	2025-26		2024-25	
Full Time	8,940	83%	9,457	85%
Part Time	1,889	17%	1,646	15%
	10,829		**11,103**	
Undergraduate	9,497	88%	9,858	89%
Graduate	1,332	12%	1,245	11%
	10,829		**11,103**	
Resident	9,838	91%	10,037	90%
Non-Resident	991	9%	1,066	10%
	10,829		**11,103**	

The number of incoming first-year students decreased by 13.8% compared to fall 2024, while the university's retention rate improved from 77.6% to 78.8%. With a student population comprised of approximately 91% Pennsylvania residents, the majority of undergraduates being traditional-age students enrolling directly from high school, the university's enrollment continues to be affected by the state's demographic trends, the proportion of high school graduates who pursue higher education, and a highly competitive higher education marketplace in the state.

Following is a breakdown of **financial aid** in fiscal years 2025-26 and 2024-25.

Student Financial Aid		
(in millions)	**2025-26**	**2024-25**
Federal Pell grants	$19.4	$22.0
Other federal aid	0.8	0.8
State financial aid including PHEAA grants	10.2	13.1
Local government financial aid	6.4	4.4
Endowments and all other restricted financial aid grants	4.0	3.7
E&G scholarships/fellowships recorded as grants/gift revenue	1.4	1.4
Tuition and fee waivers and institutional scholarships	23.0	22.7
Housing and dining waivers and institutional scholarships	3.1	3.6
Total	$68.3	$71.7

Total financial aid to students in the form of grants, waivers and scholarships was $68.3 million in fiscal year 2025-26, compared to $71.7 million in fiscal year 2024-25, a decrease of $3.4 million, or 4.7%. Federal Pell grants decreased by $2.6 million and state financial aid, including Pennsylvania Higher Education Assistance Agency (PHEAA) grants, decreased by $2.9 million, partially offset by a $2.0 million increase in local government financial aid. Tuition and fee waivers and institutional scholarships granted by the university increased by $0.3 million, or 1.3%, in fiscal year 2025-26. Waivers and institutional scholarships represent discounts offered to students for which there is no outside funding source to replenish the lost operating revenue.

Grants and contracts revenue

Operating grants and contracts revenue is composed of Pell grant revenue as well as other operating federal, state, local or private grants and contracts. Pell grant revenues for fiscal year 2025-26 totaled $19.4 million compared to $22.0 million in fiscal year 2024-25. Certain other grants and contracts, totaling $2.0 million, are now reflected under nonoperating revenues whereas they were operating revenues in the prior fiscal year.

Auxiliary enterprises, net

Auxiliary enterprises revenue, which includes food services sales, housing fees, and fees for the operation, maintenance, debt service, and renewal of student union and recreation centers increased to $53.5 million in fiscal year 2025-26, from $52.5 million in fiscal year 2024-25.

State appropriations

For fiscal year 2025-26, the State System received $626 million in General Fund appropriations, compared to $621 million in fiscal year 2024-25. The Commonwealth's general fund spending plan for fiscal year 2025-26 was not enacted until November 12, 2025, which delayed the distribution of appropriations to the State System until after enactment. The university's share of the General Fund appropriation was $93.6 million in fiscal year 2025-26, an increase of $2.7 million, or 3.0%, over fiscal year 2024-25. In fiscal year 2025-26, state appropriations, including the Key '93 allocation discussed below, represented approximately 35.3% of total revenues and gains.

To recognize the need for newly integrated universities to transition to their optimum end state, the university also received one-time transition funding of $1.8 million from System SERS funds in fiscal year 2025-26, compared to $2.0 million in fiscal year 2024-25.

The university received a $4.4 million Realty Transfer Tax allocation in fiscal year 2025-26 from the Commonwealth's Key '93 (Keystone Recreation, Park and Conservation) Fund, compared to $4.0 million in fiscal year 2024-25. Key '93 funds have provided a consistent revenue stream for university deferred maintenance projects.

During fiscal year 2024-25, the State System received a special appropriation of $85 million from the Commonwealth's Facility Transition Account, a restricted account within the General Fund, designated for facilities transition costs, bond debt service payments, loan repayments and other related obligations. The university received $37.9 million of this appropriation to defease Mansfield's Student Housing Phase II Series AT bond. No such special appropriation was received by the university in fiscal year 2025-26.

Investment income

Expenses and Losses

The following table provides a summary of the university's expenses and losses for the years ended June 30, 2026 and 2025.

Expenses and Losses

(in millions)	June 30, 2026	June 30, 2025	Change from Prior Year
Operating expenses			
Instruction	$72.3	$89.3	(19.0%)
Research and public service	2.7	3.2	(15.9%)
Academic support	16.1	20.0	(19.7%)
Student services	24.1	29.5	(18.5%)
Institutional support	35.5	41.4	(14.3%)
Operations and maintenance of plant	17.0	20.0	(14.6%)
Depreciation	27.8	28.3	(2.0%)
Student aid	3.9	5.1	(23.8%)
Auxiliary enterprises	39.8	34.7	14.5%
Total operating expenses	239.2	271.6	(11.9%)
Other expenses and losses			
Interest expense on capital asset-related debt	4.1	4.6	(12.2%)
Debt transaction costs/Loss on disposal/acquisition of assets/permanent endowments	0.4	1.1	(61.2%)
Total other expenses and losses	4.5	5.7	(21.5%)
Total expenses and losses	$243.7	$277.3	(12.1%)

Overall, fiscal year 2025-26 operating expenses decreased by 11.9% from the prior fiscal year. Nonoperating expenses and losses decreased by 21.5%. Overall expenses and losses decreased by 12.1% from the prior fiscal year. These changes are discussed below.

Operating expenses

A significant portion of the decrease in operating expenses is due to a decrease in the unfunded liability related to the State System's defined benefit healthcare plan. The July 1, 2025 actuarial valuation reflects the implementation of a fully insured Medicare Advantage PPO plan for Medicare-eligible retirees and covered spouses, which materially reduced the total OPEB liability. Compared to the prior fiscal year, noncash OPEB expense decreased by $20.1 million. Noncash pension expense also decreased by $5.9 million. Additional details regarding these plans can be found in the notes to the financial statements on Note 9: Other Postemployment Benefits and Note 10: Pension Benefits.

Salaries and wages decreased by $4.8 million, or 3.7%, reflecting a reduction in workforce as well as lower sick leave payout and compensated absences expense compared to the prior year. These decreases were offset, in part, by salary increases under the various collective bargaining agreements currently in place, as well as related increases for nonrepresented employees, and by a $1.2 million, or 5.3%, increase in employee healthcare costs.

Salaries, wages and benefits expense comprise 59% of operating expenses. The table below provides a comparison of salaries, wages and benefits expense.

(in millions)	June 30, 2026	June 30, 2025	Change
Salaries and wages	$126.8	$131.6	(3.7%)
Employer benefit contributions			
Healthcare	24.5	23.3	5.3%
Pension and OPEB	30.2	30.8	(1.9%)
Other benefits	14.1	14.1	0.1%
Total Employer Benefit Contributions	**68.9**	**68.2**	**1.0%**
Noncash Pension and OPEB Expense	**(54.3)**	**(28.3)**	**(91.6%)**
Total Salaries, Wages and Benefits	**$141.4**	**$171.5**	**(17.6%)**

Auxiliary enterprises expense increased by $5.1 million, or 14.5%, primarily due to a $6.3 million increase in benefits expense. This reflects how noncash pension and OPEB expense was allocated among functions, not an increase in benefits. In fiscal year 2024-25, auxiliary enterprises were allocated a share of the university's noncash pension and OPEB credit, resulting in net auxiliary benefits expense of negative $1.6 million. In fiscal year 2025-26, the majority of the noncash credit was recorded in educational and general functions, and auxiliary benefits expense of $4.8 million reflects primarily the employer cost of benefits for auxiliary employees. The same allocation explains the decreases in benefits expense in the education and general functions. Auxiliary supplies and services costs decreased by $1.6 million.

Debt related expenses

Debt related expenses include interest expense as well as costs of debt issuance and related ongoing maintenance costs, and the amortization of debt premiums and discounts, which are reflected in interest expense on the Statement of Revenues, Expenses and Changes in Net Position.

For fiscal year 2025-26, interest expense on capital asset-related debt, which approximates 1.7% of total expenses, decreased 12.2% to $4.1 million from $4.6 million in fiscal year 2024-25. This decrease was due to lower overall debt balances, including the full-year effect of the fiscal year 2024-25 defeasance of Mansfield's Student Housing Phase II Series AT bond. Debt transaction costs related to bond accounting and maintenance fees on outstanding debt totaled $36 thousand for fiscal year 2025-26. Previously, these costs were reflected as operating expenses but are now reflected as nonoperating expenses due to the requirements of GASB Statement No. 103.

Loss on disposal of assets and other in fiscal year 2024-25 included the transfer of $1.0 million of former Mansfield University endowment assets to the newly formed Mansfield University Mountaineer Foundation.

Cash Flows

The table below summarizes the university's cash flows for fiscal years 2025-26 and 2024-25.

	FY 2025-26	FY 2024-25
Cash flows from operating activities	($122,568,262)	($133,046,880)
Cash flows from noncapital financing activities	124,831,425	154,735,800
Cash flows from capital financing activities	(19,465,891)	(55,890,888)
Cash flows from investing activities	2,653,249	5,530,715
Net increase (decrease) in cash	($14,549,479)	($28,671,252)
Cash-beginning of year	$70,551,177	$99,222,428
Cash-end of year	$56,001,697	$70,551,177

Cash and cash equivalents decreased by $14.5 million during fiscal year 2025-26, compared to a decrease of $28.7 million in fiscal year 2024-25. Net cash used in operating activities decreased to $122.6 million from $133.0 million. Net cash provided by noncapital financing activities, primarily state appropriations and nonoperating grants, decreased by $29.9 million, as fiscal year 2024-25 included the $37.9 million special appropriation used for bond defeasance. Correspondingly, net cash used in capital financing activities decreased to $19.5 million from $55.9 million, as fiscal year 2024-25 included the related principal payment to defease the Series AT bond.

Significant Capital Assets and Long-Term Financing Activity

Overall, the carrying value of capital assets, original cost minus accumulated depreciation, decreased by 2.6% to $332.3 million at June 30, 2026, compared to $341.0 million at June 30, 2025, as depreciation and amortization of $27.8 million exceeded capital additions. The university recognized $19.4 million of capital asset additions in fiscal year 2025-26, including $5.0 million to improve academic and auxiliary facilities, $7.7 million of construction in progress, $4.7 million of equipment and other assets (including $2.0 million of equipment acquired through financed purchase agreements), and

$2.0 million in right of use leases and subscription-based information technology arrangements. This compares to $11.4 million in total additions in fiscal year 2024-25.

Debt service payments for principal and interest of $9.0 million and $4.9 million, respectively, were made on State System issued bonds in fiscal year 2025-26. Total bonds payable, including unamortized premiums, decreased to $127.5 million at June 30, 2026, from $137.6 million at June 30, 2025, with outstanding principal of $120.8 million. The university had no new bond issuances from the State System in fiscal years 2025-26 and 2024-25. Additional details regarding bond activity can be found in the notes to the financial statements on Bonds Payable.

In October 2025, Moody's Investors Service, Inc. maintained the State System's **bond rating** of Aa3, and stable outlook. The stable outlook reflects Moody's expectations that continued successful execution of the system redesign initiative will enhance prospects for sustainability, aligning expense structures to anticipated smaller enrollment levels. The outlook also reflects expectations of continued solid liquidity, growing Commonwealth financial support and steady declines in bonded debt. At the same time, Moody's maintained the State System's Environmental, Social, and Governance (ESG) and Credit Impact Score (CIS) of CIS-3. CIS-3 reflects the State System's elevated exposure to social risks, including weak regional demographics and highly competitive market conditions, while strong fiscal management and robust strategic planning frameworks partly mitigate its exposure to ESG risks. In October 2025, Fitch Ratings maintained the State System's rating of A+ and revised the outlook to positive from stable. The positive outlook revision is driven by several years of growth in Commonwealth support, coupled with recent enrollment stabilization following a multi-year period of substantial enrollment declines.

Currently Known Facts, Decisions, or Conditions

The university is aware of various factors that are expected to have a significant impact on the net position or that are expected to produce significant differences from current-period results of operations. These include the following:

- Upcoming bond defeasance
- Clearfield closure
- Tuition rate increase for 2026-27
- Enrollment
- Workforce reductions

Upcoming bond defeasance

The Commonwealth's General Appropriations Act of 2026 (Act 1A of 2026) included a $78.1 million appropriation to the State System for facilities transition and improvements, with funding designated for the defeasance of debt associated with capital projects at Commonwealth University's Mansfield and Bloomsburg campuses, Millersville University and Shippensburg University. The university's share of this appropriation will be used to defease approximately $37.1 million of outstanding bond principal. Of this amount, $26.9 million is associated with student housing at Mansfield campus (Series AT-1 and AX) and $10.2 million of bond maturities due in fiscal years 2026-27 and 2027-28 associated with projects at the Bloomsburg campus (Series AT-1, AR, AU-2, AW, AX, and AY).

The defeasance is projected to generate approximately $46.7 million in debt service savings through fiscal year 2043-44. On an annual basis, the defeasance is expected to reduce the university's debt service by approximately $8.4 million in fiscal year 2026-27 and $6.3 million in fiscal year 2027-28, and by approximately $2.0 million per year from fiscal year 2028-29 through fiscal year 2043-44. The savings relate primarily to auxiliary supported debt, principally student housing at the Bloomsburg and Mansfield campuses, and will reduce the auxiliary resources required for debt service. Because the larger savings in fiscal years 2026-27 and 2027-28 are temporary, and the ongoing savings of approximately $2.0 million per year are small relative to the university's recurring operating imbalance, the defeasance, while beneficial, does not resolve that imbalance.

The transaction is expected to be completed during the fourth quarter of calendar year 2026 and will reduce the university's outstanding debt and future debt service requirements.

Clearfield closure
Operations at the Clearfield teaching location will cease following the end of the 2026-27 academic year. This decision was necessary to ensure Commonwealth University's long-term sustainability as it adapts to meet both evolving educational demands and accreditation expectations. The decision was based on a comprehensive review and analysis of the operations in Clearfield, including evaluation of enrollment, academic array, physical plant, financial health and future sustainability.

Tuition rate increase for 2026-27
In July 2026, the State System's Board of Governors approved a $172 per-semester increase in basic in-state undergraduate tuition, bringing the tuition rate for full-time, in-state undergraduate students to $8,338 per year. Basic graduate tuition rates increased to $557 per credit for residents and $836 per credit for nonresidents. While this is the second consecutive year of a rate increase, tuition at any State System university remains the lowest in the state for a bachelor's degree.

Enrollment
The university's fall 2026 headcount is 10,196, a decrease of 633 students, or 5.8%, from fall 2025, with undergraduate enrollment of 8,887 and graduate enrollment of 1,309. State System and university enrollment historically has been closely tied to the state's high school demographic trends. The number of high school graduates in Pennsylvania is projected to peak with the 2025-26 graduating class and then decline for several years thereafter. This demographic trend is predicted throughout the country and is more acute in the northeastern United States.

Workforce reductions
The university is implementing planned workforce reductions to address a structural imbalance between recurring revenues and expenses and to reduce future operating deficits. Because personnel costs are the university's largest expense, management concluded that the deficit cannot be addressed through reductions in supplies, travel, or other discretionary spending alone.

Current planning estimates identify potential reductions of approximately 75 faculty full-time equivalents (FTE) and approximately 100 staff FTE across various departments and operations. Management's priority is to achieve as much of the reduction as possible through voluntary means, and each verified retirement, resignation, vacancy, reassignment, or other recurring savings measure may reduce the number of involuntary separations ultimately required. Consultations with employees regarding voluntary transfer opportunities are already underway. Any changes are intended to preserve required coursework, reasonable paths to graduation, accreditation and licensure requirements, clinical experiences, and critical student support services. These estimates remain subject to refinement as the university consults with employees and bargaining units, evaluates voluntary and reassignment opportunities, and validates staffing, available work, qualifications, course coverage, and realized savings.

Separation dates for any affected employees will follow the terms of applicable collective bargaining agreements and individual appointments. The latest anticipated separation date is June 30, 2027, as the university works toward a balanced budget for the fiscal year beginning July 1, 2027.

Approximately 89% of the university's FTE employees are covered by collective bargaining agreements. The current agreements with the American Federation of State, County and Municipal Employees (AFSCME); the Association of Pennsylvania State College and University Faculties (APSCUF); the State College & University Professional Association (SCUPA); APSCUF Non-Faculty Athletic Coaches; and the Office and Professional Employees International Union Healthcare Pennsylvania (OPEIU) expire on June 30, 2027. The terms of successor agreements, which are negotiated by the State System, may affect future compensation costs.

For further information about these financial statements, contact Commonwealth University of Pennsylvania, Financial Services, 400 East Second Street, Bloomsburg, PA 17815.

COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
STATEMENT OF NET POSITION − PRIMARY INSTITUTION
JUNE 30, 2026

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS		
Cash and Cash Equivalents	$	56,001,697
Investments		551,152
Accounts Receivable:		
Governmental Grants and Contracts		1,754,943
Students, Net of Allowance for Doubtful Accounts of $2,758,137		12,328,652
Other		362,186
Interest Income Receivable		226,511
Inventories		84,340
Prepaid Expenses		2,463,264
Current Portion of Leases Receivable		149,417
Due from Component Units		3,642,522
Due from Component Units - Lease Receivables		24,808
Other Assets		609,131
Total Current Assets		78,198,623
NONCURRENT ASSETS		
Beneficial Interests		6,362,252
Non-Depreciable Capital Assets		16,210,528
Depreciable or Amortizable Capital Assets, Net of Accumulated Depreciation and Amortization		316,080,753
Long-Term Portion of Leases Receivable		1,822,992
Total Noncurrent Assets		340,476,525
Total Assets		418,675,148
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Loss on Refunding of Debt		536,620
Deferred Outflows from SERS Contributions		15,882,371
Deferred Outflows from PSERS Contributions		1,946,790
Deferred Outflows from OPEB Contributions		15,345,493
Total Deferred Outflows of Resources		33,711,274
Total Assets and Deferred Outflows of Resources	$	452,386,422

See accompanying Notes to Financial Statements.

COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
STATEMENT OF NET POSITION − PRIMARY INSTITUTION (CONTINUED)
JUNE 30, 2026

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$	29,051,393
Current Portion of Unearned Revenue		8,055,955
Students' Deposits		535,064
Other Deposit Liabilities		707,299
Current Portion of Workers' Compensation		585,941
Current Portion of Compensated Absences		2,139,354
Current Portion of Postretirement Benefit Obligations		6,795,589
Current Portion of Lease Liabilities		288,907
Current Portion of Subscription Liabilities		1,406,450
Current Portion of Notes Payable - Leasing		342,407
Current Portion of Bonds Payable, Net		9,702,111
Current Portion of Due to System, Academic Facilities Renovation Bond Program (AFRP)		85,484
Due to Component Units		7,557,141
Current Portion of Due to Component Units - Lease Liabilities		34,118
Other Current Liabilities		243,276
Total Current Liabilities		67,530,489
NONCURRENT LIABILITIES		
Unearned Revenue		251,464
Workers' Compensation		668,843
Compensated Absences		17,356,339
Lease Liabilities		295,429
Postretirement Benefit Obligations		91,059,831
Subscription Liabilities		569,260
Notes Payable - Leasing		1,238,478
Bonds Payable, Net		117,826,673
Due to System, AFRP		27,159
Due to Component Units - Lease Liabilities		42,929
Net Pension Liability		126,230,106
Other Noncurrent Liabilities		42,857
Total Noncurrent Liabilities		355,609,368
Total Liabilities		423,139,857
DEFERRED INFLOWS OF RESOURCES		
Unamortized Gain on Refunding of Debt		47,376
Deferred Inflows from SERS Contributions		18,613,318
Deferred Inflows from PSERS Contributions		335,567
Deferred Inflows from OPEB Contributions		111,150,702
Deferred Inflow - Lease Receivable		1,814,328
Total Deferred Inflows of Resources		131,961,291
NET POSITION		
Net Investment in Capital Assets		195,109,764
Restricted for:		
Expendable:		
Scholarships and Fellowships		422,352
Capital Projects		9,817,969
Other		184,750
Nonexpendable:		
Scholarships and Fellowships		6,362,252
Unrestricted Net Position		(314,611,813)
Total Net Position		(102,714,726)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$	452,386,422

See accompanying Notes to Financial Statements.

COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION − PRIMARY INSTITUTION
YEAR ENDED JUNE 30, 2026

OPERATING REVENUES	
Tuition and Fees	$ 125,484,656
Less: Scholarship Discounts and Allowances	(61,991,584)
Net Tuition and Fees	63,493,072
Pell Grants	19,402,963
Governmental Grants and Contracts:	
Federal	2,213,507
State	18,390,217
Nongovernmental Grants and Contracts	79,233
Sales and Services of Educational Departments	2,713,624
Auxiliary Enterprises	53,497,030
Other Revenues	1,008,982
Total Operating Revenues	160,798,628
OPERATING EXPENSES	
Instruction	72,330,329
Research	636,549
Public Service	2,057,787
Academic Support	16,053,366
Student Services	24,087,000
Institutional Support	35,493,821
Operations and Maintenance of Plant	17,042,248
Depreciation and Amortization	27,786,604
Student Aid	3,917,440
Auxiliary Enterprises	39,794,029
Total Operating Expenses	239,199,173
OPERATING LOSS	(78,400,545)
NONCAPITAL SUBSIDIES	
State Appropriations, General and Restricted	93,625,064
Commonwealth On-Behalf Contributions to PSERS	751,652
Grants and Contracts Revenue	6,041,590
Gifts for Other than Capital Purposes	5,622,162
Total Noncapital Subsidies	106,040,468
OPERATING LOSS AND NONCAPITAL SUBSIDIES	27,639,923
OTHER NONOPERATING REVENUES (EXPENSES)	
Investment Income, Net of Related Investment Expense of $14,798	2,577,048
Unrealized Increase in Fair Value in Beneficial Interests	801,557
Interest Expense	(4,079,505)
Loss on Disposal of Assets	(391,583)
Gain on Bond Defeasance	-
State Appropriations, Capital	4,433,697
Capital Gifts and Grants	3,337,112
Debt Transaction Expenses	(35,537)
Other Nonoperating Revenues, Net	6,642,789
INCREASE IN FUND NET POSITION	34,282,712
Fund Net Position - Beginning of Year	(136,997,438)
FUND NET POSITION - END OF YEAR	$ (102,714,726)

See accompanying Notes to Financial Statements.

COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
STATEMENT OF CASH FLOWS − PRIMARY INSTITUTION
YEAR ENDED JUNE 30, 2026

CASH FLOWS FROM OPERATING ACTIVITIES		
Net Tuition and Fees	$	64,174,751
Grants and Contracts		21,827,186
Payments to Suppliers for Goods and Services		(66,167,229)
Payments to Employees		(197,332,418)
Student Aid		(3,917,440)
PLUS, Stafford, and Other Loans Receipts (Non-Perkins)		83,453,938
PLUS, Stafford, and Other Loans Disbursements (Non-Perkins)		(83,453,938)
Auxiliary Enterprise Charges		54,357,754
Sales and Services of Educational Departments		2,667,839
Other Operating Payments		1,821,295
Net Cash Used by Operating Activities		(122,568,262)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations		93,625,064
Gifts and Nonoperating Grants for Other than Capital Purposes		31,066,715
Agency Transactions, Net		139,646
Net Cash Provided by Noncapital Financing Activities		124,831,425
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Appropriations		4,433,697
Capital Gifts and Grants Received		3,230,778
Proceeds from Sales of Capital Assets		1,201
Purchases of Capital Assets		(9,491,115)
Principal Paid on Debt, Leases, Subscriptions, and Financed Purchases		(12,610,433)
Interest Paid on Debt, Leases, Subscriptions, and Financed Purchases		(5,030,019)
Net Cash Used by Capital Financing Activities		(19,465,891)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		(35,771)
Interest on Investments		2,689,019
Net Cash Provided by Investing Activities		2,653,248
NET DECREASE IN CASH AND CASH EQUIVALENTS		(14,549,480)
Cash and Cash Equivalents - Beginning of Year		70,551,177
CASH AND CASH EQUIVALENTS - END OF YEAR	$	56,001,697

See accompanying Notes to Financial Statements.

COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
STATEMENT OF CASH FLOWS − PRIMARY INSTITUTION (CONTINUED)
YEAR ENDED JUNE 30, 2026

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$	(78,400,545)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Pell Grants		(19,402,963)
Depreciation and Amortization Expense		27,786,605
Expenses Paid by Commonwealth or Donor		751,652
Changes in Assets and Liabilities:		
Receivables, Net		2,492,412
Lease rental receivable (3rd Party & Comp Units) Activity		(60,651)
Inventories		(16,985)
Other Assets		(1,193,212)
Accounts Payable and Accrued Expenses		(1,188,536)
Unearned Revenue		397,799
Students' Deposits		(58,452)
Compensated Absences		(631,080)
Postretirement Benefits Liability (OPEB) Activity		(65,838,265)
Net Pension Activity		(29,663,712)
Other Liabilities		1,929,148
Deferred Outflows of Resources Related to OPEB		3,397,536
Deferred Inflows of Resources Related to OPEB		17,998,523
Deferred Outflows of Resources Related to Pensions		6,940,147
Deferred Inflows of Resources Related to Pensions		12,162,645
Deferred inflow of resources related to lease receivable		29,672
Net Cash Used by Operating Activities	$	(122,568,262)
SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL FINANCING ACTIVITIES		
Capital Assets Included in Payables	$	5,811,353
Capital Assets Acquired by New ROU Leases	$	529,560
Capital Assets Acquired by New ROU Leases with Comp Units	$	103,730
Capital Assets Acquired by New Subscription Agreements	$	1,388,344
Capital Assets Acquired by Gift or Appropriation	$	106,334
Capital Assets Acquired by Notes Payable (Financed Purchased)	$	2,002,482

See accompanying Notes to Financial Statements.

COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
STATEMENTS OF FINANCIAL POSITION – DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2026

ASSETS	Bloomsburg University Foundation	Community Government Association	Lock Haven University Foundation	LHU Student Auxiliary Services	Mansfield University Mountaineer Foundation	College Community Service, Inc	Nonmajor	Total
CURRENT ASSETS								
Cash and Cash Equivalents	$ 672,744	$ 6,654,315	$ 2,387,577	$ 1,297,857	$ 201,996	$ 11,864	$ 283,210	$ 11,509,563
Short-term Investments	-	-	-	-	-	-	12,756	12,756
Accounts Receivable	-	202,702	-	51,050	-	504,286	-	758,038
Contributions and Pledges Receivable	10,254,283	-	2,408,712	-	918,315	-	-	13,581,310
Due from University	-	-	-	80,012	-	9,777	-	89,789
Inventories and Prepaid Expense	496,053	346,436	89,141	64,674	-	8,224	7,625	1,012,153
Other Current Assets	-	248,647	271,220	-	-	-	-	519,867
Total Current Assets	11,423,080	7,452,100	5,156,650	1,493,593	1,120,311	534,151	303,591	27,483,476
NONCURRENT ASSETS								
Restricted Cash and Cash Equivalents	-	-	-	141,010	-	-	-	141,010
Long-term Investments	95,759,181	7,581,250	22,606,889	6,512,053	3,276,022	-	2,817,949	138,553,344
Capital Assets, Net	16,941,525	10,460,372	5,180,660	89,426	-	47,285	1,464,100	34,183,368
Other Assets	2,705,950	5,301,169	341,510	-	-	-	-	8,348,629
Total Noncurrent Assets	115,406,656	23,342,791	28,129,059	6,742,489	3,276,022	47,285	4,282,049	181,226,351
Total Assets	$ 126,829,736	$ 30,794,891	$33,285,709	$ 8,236,082	$ 4,396,333	$ 581,436	$ 4,585,640	$ 208,709,827

See accompanying Notes to Financial Statements.

COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
STATEMENTS OF FINANCIAL POSITION – DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2026

LIABILITIES AND NET ASSETS	Bloomsburg University Foundation	Community Government Association	Lock Haven University Foundation	LHU Student Auxiliary Services	Mansfield University Mountaineer Foundation	College Community Service, Inc	Nonmajor	Total
CURRENT LIABILITIES								
Accounts Payable and Interest Payable	$ 507,019	$ 522,563	$ 697,195	$ 64,979	$ 56,351	$ 122	$ 48,500	$ 1,896,729
Deferred Revenue	-	27,860	-	81,947	-	19,222	-	129,029
Annuity Liabilities	90,197	-	285,925	-	-	-	-	376,122
Due to University	1,185,948	-	-	105,878	-	-	16,107	1,307,933
Deposits payable	82,596	2,861,853	-	-	-	-	-	2,944,449
Bonds and notes payable	446,054	740,000	255,560	-	-	-	-	1,441,614
Other Deposits Liability	643,179	-	201,484	768,495	-	210,936	2,462	1,826,556
Total Current Liabilities	2,954,993	4,152,276	1,440,164	1,021,299	56,351	230,280	67,069	9,922,432
NONCURRENT LIABILITIES								
Bonds and notes payable	14,686,799	7,341,287	6,723,403	-	-	-	-	28,751,489
Other Noncurrent Liabilities	-	419,356	-	-	-	54,668	-	474,024
Total Noncurrent Liabilities	14,686,799	7,760,643	6,723,403	-	-	54,668	-	29,225,513
Total Liabilities	17,641,792	11,912,919	8,163,567	1,021,299	56,351	284,948	67,069	39,147,945
NET ASSETS								
Without Donor Restrictions	7,698,245	18,881,972	121,917	7,073,773	419,773	296,488	4,518,571	39,010,739
With Donor Restrictions	101,489,699	-	25,000,225	141,010	3,920,209	-	-	130,551,143
Total Net Assets	109,187,944	18,881,972	25,122,142	7,214,783	4,339,982	296,488	4,518,571	169,561,882
Total Liabilities and Net Assets	$ 126,829,736	$ 30,794,891	$33,285,709	$ 8,236,082	$ 4,396,333	$ 581,436	$ 4,585,640	$ 208,709,827

See accompanying Notes to Financial Statements.

COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
STATEMENT OF ACTIVITIES – DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED JUNE 30, 2026

	Bloomsburg University Foundation	Community Government Association	Lock Haven University Foundation	LHU Student Auxiliary Services	Mansfield University Mountaineer Foundation	College Community Service, Inc	Nonmajor	Total
WITHOUT DONOR RESTRICTIONS								
REVENUES AND OTHER ADDITIONS								
Contributions	$ 223,025	$ -	$ 1,370,398	$ -	$ 24,980	$ -	$ 39,598	$ 1,658,001
Sales and Services	67,914	5,025,190	-	268,162	-	70,217	597,122	6,028,605
Student Fees	-	3,157,387	-	1,379,238	-	828,739	-	5,365,364
Grants and Contracts	2,701,413	-	1,628,594	-	507,905	-	-	4,837,912
Rental Income	1,853,243	1,672,344	2,451,687	-	-	-	-	5,977,274
Investment Return, Net	2,929,285	627,095	1,556	589,484	194,258	35	498,260	4,839,973
Other Revenues and Gains	338,864	270,236	495,173	305,376	45,194	15,757	-	1,470,600
Net Assets Released from Restrictions	9,623,911		2,845,738	10,125	490,608	-	-	12,970,382
Total Revenues and Other Additions	17,737,655	10,752,252	8,793,146	2,552,385	1,262,945	914,748	1,134,980	43,148,111
EXPENSES AND OTHER DEDUCTIONS								
Program Services:								
Scholarships and Grants	6,735,617	-	1,470,739	2,232	240,608	-	34,598	8,483,794
Student Activities and Programs	1,821,418	2,317,528	-	916,468	-	677,190	-	5,732,604
University Stores	-	5,221,968	-	366,736	-	92,007	-	5,680,711
Housing	1,650,491	1,567,691	2,280,005	-	-	-	-	5,498,187
Other Programs	-	498,790	837,684	-	198,670	-	560,405	2,095,549
Management and General	2,644,939	1,023,633	1,244,986	735,041	191,691	135,276	72,984	6,048,550
Fundraising	2,205,020	-	1,005,350	-	378,197	-	100	3,588,667
Other expenses and losses	-	79,393	-	-	-	-	-	79,393
Total Expenses and Losses	15,057,485	10,709,003	6,838,764	2,020,477	1,009,166	904,473	668,087	37,207,455
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,680,170	43,249	1,954,382	531,908	253,779	10,275	466,893	5,940,656
WITH DONOR RESTRICTIONS								
Contributions	5,856,086	-	1,681,502	18,000	549,632	-	-	8,105,220
Investment return	9,913,520	-	2,912,391	-	219,879	-	-	13,045,790
Other revenue and gains	184,828	-	174,384	-	-	-	-	359,212
Other expenses and losses	-	-	(190,765)	-	-	-	-	(190,765)
Net assets released from restrictions	(9,623,911)	-	(2,845,738)	(10,125)	(490,608)	-	-	(12,970,382)
Change in net assets with donor restrictions	6,330,523	-	1,731,774	7,875	278,903	-	-	8,349,075
CHANGE IN NET ASSETS	9,010,693	43,249	3,686,156	539,783	532,682	10,275	466,893	14,289,731
Net Assets - Beginning of Year	100,177,251	18,838,723	21,435,986	6,675,000	3,807,300	286,213	4,051,678	155,272,151
NET ASSETS - END OF YEAR	$ 109,187,944	$ 18,881,972	$ 25,122,142	$ 7,214,783	$ 4,339,982	$ 296,488	$ 4,518,571	$ 169,561,882

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The University is one of 10 universities of the Pennsylvania State System of Higher Education (the State System). The State System was created by the State System of Higher Education Act of November 12, 1982, P.L. 660, No. 188, as amended (Act 188). The State System is a component unit of the Commonwealth of Pennsylvania (the Commonwealth).

Reporting Entity

The University functions as a Business-Type Activity, as defined by the Governmental Accounting Standards Board (GASB).

The University has determined the Community Government Association of Bloomsburg University, Bloomsburg University Foundation, College Community Services, Inc., Mansfield University Mountaineer Foundation, Lock Haven University Foundation, Lock Haven Student Auxiliary Services, and should be included in the University's financial statements as major discretely presented component units. The Husky Research Corporation, Inc, Mansfield Auxiliary Corporation, and Clearfield Educational Foundation, Inc., had been determined to be nonmajor discretely presented component units. A component unit is a legally separate organization for which the primary institution is financially accountable or closely related. Major and nonmajor discretely presented component units are aggregated and reported in a separate column in the government-wide financial statements to emphasize that they are both legally and substantively separate from the government.

The Community Government Association of Bloomsburg University is a legally separate, tax-exempt entity, which is responsible for the operations of the University Store, student, and community activities, and student housing. Although the University does not control the resources of the Association, the activities of the Association are solely for the benefit of the University and its students. Because these resources are held by the Association and can only be used to benefit the University and its students, the Association is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of the Association is presented as of May 31, 2026.

The Bloomsburg University Foundation is a legally separate, tax-exempt entity, which acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of the Foundation is presented as of June 30, 2026.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The Husky Research Corporation is a legally separate, tax-exempt entity, which is organized to administer grants, contracts, and special programs for the University. Because the Corporation exists for the benefit of the University and its students, the Corporation is considered a component unit of the University and is discretely presented in the University's financial statements. The financial activity of the Corporation is presented as of June 30, 2026. Complete financial statements for the Association, the Foundation, and the Corporation may be obtained at the University's administrative office.

College Community Services, Inc. (CCSI) is a legally separate tax-exempt entity that provides bookstore services to students and accounting services for student activity organizations including the Student Government Association. Because the economic resources received and held by CCSI are for the direct benefit of the University and the influence of the University over CCSI, CCSI is considered a component unit of the University and is included within the University's financial reporting entity. The financial activity of CCSI is presented as of and for the year ended June 30, 2026.

Mansfield Auxiliary Corporation (MAC) is a legally separate tax-exempt entity that provides construction, operation, and management of student housing facilities or other projects for the benefit of the students of the University. Because the economic resources received and held by MAC are for the direct benefit of the University, MAC is considered a component unit of the University and is included within the University's financial reporting entity. The financial activity of MAC is presented as of and for the year ended June 30, 2026.

Mansfield University Mountaineer Foundation is a legally separate tax-exempt entity that raises, manages, and distributes resources to benefit the Mansfield location of the University. Because the economic resources received and held by the Foundation are for the direct benefit of the University, the Foundation is considered a component unit of the University and is included within the University's financial reporting entity. The financial activity of the Foundation is presented as of and for the year ended June 30, 2026.

The Lock Haven University Foundation, Clearfield Educational Foundation and Lock Haven Student Auxiliary Services are private nonprofit organizations reported in accordance with Financial Accounting Standards Board (FASB) requirements, including FASB Codification Section 958-205, *Presentation of Financial Statements*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component units' financial information in the University's financial reporting entity for these differences.

Lock Haven Student Auxiliary Services (SAS) is the successor corporation to Commonwealth University of PA Student Cooperative Council, Inc. (the Council). SAS collects student activity fees and other miscellaneous revenues, which are allocated to clubs, organizations, athletic programs, and general administration. SAS also operates the Campus Bookstore and the Student Recreation Center.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

SAS is a legally separate tax-exempt entity that is considered a component unit of the University and is included within the University's financial reporting entity because the economic resources received and held by SAS are for the direct benefit of the University and because of the influence the University has over SAS. The financial activity of SAS is presented as of and for the fiscal year ended June 30, 2026.

The Lock Haven University Foundation and Clearfield Educational Foundation are legally separate, tax-exempt entities that act as fundraising organizations to supplement the resources that are available to the University in support of its programs. In addition, the Lock Haven University Foundation develops and manages student housing facilities and the Durrwachter Alumni Conference Center. Although the University does not control the timing or amount of receipts from the Foundations, the majority of resources or income thereon that the Foundations hold and invest related to their fundraising efforts are restricted by the donors to the activities of the University. Because these restricted resources held by both foundations can only be used by, or for the benefit of, the University, both foundations are considered component units of the University and are discretely presented in the University's financial statements. The financial activity of both foundations are presented as of and for the year ended June 30, 2026.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by GASB. The economic resources measurement focus reports all inflows, outflows, and balances that affect an entity's net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The accompanying financial statements of the component units, which are all private nonprofit organizations, are reported in accordance with Financial Accounting Standards Board (FASB) requirements, including Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* an amendment of FASB Codification Topic 958, *Not-for-Profit-Entities.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications for these differences have been made to the component units' financial information presented herein.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Operating revenues and expenses include all revenues and expenses except those defined as nonoperating under GASB Statement No. 103, *Financial Reporting Model Improvements*. The University records tuition, all academic, instructional, and other student fees, student financial aid, auxiliary activity, and corporate partnerships as operating revenue. In addition, governmental and private grants, and contracts that are exchange or exchange-like transactions are recorded as operating revenue. Operating expenses include all expenses not classified as nonoperating.

Nonoperating revenues and expenses are limited to the following categories: subsidies received and provided, contributions to permanent and term endowments, revenues and expenses related to financing, resources from the disposal of capital assets and inventory, and investment income and expenses.

Subsidies include operating and capital appropriations, capital gifts, transfers, and certain grants and contributions. Financing-related nonoperating items include interest expense, costs of debt issuance, and amortization of debt premiums and discounts. Investment income and expenses include interest income, dividends, realized and unrealized gains and losses, and investment-related costs. Gains and losses on the disposal of capital assets are also reported as nonoperating.

Deferred Outflows and Deferred Inflows of Resources

The balance sheet reports separate sections for deferred outflows of resources and deferred inflows of resources.

Deferred Outflows of Resources, reported after *Total Assets*, is defined by GASB as a consumption of net assets that applies to future periods. The expense is recognized in the applicable future period(s). *Deferred Inflows of Resources*, reported after *Total Liabilities*, is defined by GASB as an acquisition of net assets that applies to future periods. The revenue is recognized in the applicable future period(s).

Transactions are classified as deferred outflows of resources or deferred inflows of resources only when specifically prescribed by GASB standards.

The University is required to report the following as Deferred Outflows of Resources or Deferred Inflows of Resources.

- Deferred gain or loss on bond refunding, which results when the carrying value of a refunded bond is greater or less than its reacquisition price. The difference is deferred and amortized over the remaining life of the old bond or the life of the new bond, whichever is shorter.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Deferred Inflows of Resources (Continued)

- For defined benefit pension plans and other postemployment benefit (OPEB) plans: the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension and OPEB plan investments, changes in the University's proportion of expenses and liabilities to the pension and OPEB plans as a whole, differences between the University's pension and OPEB contributions and its proportionate share of contributions, and the University's pension and OPEB contributions subsequent to the pension or OPEB valuation measurement date.

- For lessor accounting: a deferred inflow of resources associated with leases where the University is a lessor, recognized as income over the term of the lease.

Net Position

Net position is the residual of assets, plus Deferred Outflows of Resources, less liabilities, less Deferred Inflows of Resources. The University maintains the following classifications of net position.

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation and amortization, and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

Restricted – Nonexpendable: The portion of net position subject to externally imposed conditions requiring that it be maintained by the University in perpetuity.

Restricted – Expendable: The portion of net position use of which is subject to externally imposed conditions that can be fulfilled by the actions of the University or by the passage of time.

Unrestricted: All other categories of net position. Unrestricted net position may be designated for specific purposes by the University's Council of Trustees.

When both restricted and unrestricted funds are available for expenditure, the restricted funds will be used first.

Cash Equivalents and Investments

The University considers all demand and time deposits, money market funds, and overnight repurchase agreements to be cash equivalents. Investments purchased are stated at fair value. Investments received as gifts are recorded at their fair value or appraised value as of the date of the gift. The University classifies investments as short-term when they are readily marketable and intended to be converted to cash within one year.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Loans Receivable

Accounts receivable consist of tuition and fees charged to current and former students and amounts due from federal and state governments in connection with reimbursements of allowable expenditures made pursuant to grants, contracts, and other miscellaneous sources. Loans receivable consist of funds loaned to students under federal loan programs.

Accounts and loans receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon the University's historical losses and periodic review of individual accounts.

Inventories

Inventories consist mainly of supplies and stored fuels and are stated at the lower of cost or market, with cost determined principally on the weighted average method.

Capital Assets

Land and buildings at the University's campus acquired or constructed prior to the creation of the State System on July 1, 1983, are owned by the Commonwealth and made available to the University. Since the University neither owns such assets nor is responsible to service associated bond indebtedness, no value is ascribed thereto in the accompanying financial statements. Likewise, no value is ascribed to the portion of any land or buildings acquired or constructed utilizing capital funds appropriated by the Commonwealth after June 30, 1983, and made available to the University.

All assets with a purchase cost, or acquisition value if acquired by gift, in excess of $10,000 with an estimated useful life of two years or greater are capitalized. Buildings, portions of buildings, capital improvements, and equipment and furnishings acquired or constructed by the University after June 30, 1983, through the expenditure of University funds or the incurring of debt, are stated at cost less accumulated depreciation.

Equipment and furnishings are stated at cost less accumulated depreciation. Library books are capitalized on a composite basis in the year of purchase. Assets purchased under financed leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. Assets under right to use leases are recorded at the present value of the minimum lease payments plus any other amounts that must be included per the GASB standards. The University provides for depreciation on the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over useful lives ranging from 10 to 40 years. Equipment and furnishings are depreciated over useful lives ranging from 3 to 10 years. Library books are depreciated over 10 years. Amortization of assets under right to use leases is included in depreciation and amortization expense over the shorter of the lease term or the life of the underlying asset. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The University does not capitalize collections of art, rare books, historical items, etc., as they are held for public exhibition, education, or research rather than financial gain.

Impairment of Capital Assets

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. No write-down of capital assets was required for the years ended June 30, 2026.

Leases and Subscription-Based Information Technology Arrangements

The University routinely engages in lease agreements or subscription-based information technology arrangements (SBITA) to meet operational needs. The University's lease contracts generally relate to land, buildings, and various equipment. For short-term leases and SBITAs with a maximum possible term of 12 months or less at commencement, the University recognizes periodic revenue or expense based on the provision of the lease contract or SBITA. For all other contracts where the University is the lessee, that meet the requirements of GASB 87 or GASB 96 and were in excess of the minimum dollar threshold, the University recognized a lease or subscription liability and an intangible right of use asset based on the present value of the future lease payments or subscription payments over the contracted term of the lease or SBITA. Lease and subscription right of use assets are reported with capital assets, and lease and subscription liabilities are reported as long-term debt in the statement of net position.

The right of use lease and subscription assets are amortized over the term of the lease or SBITA, as the University is not expected to lease assets beyond the underlying asset's useful life. The University also serves as a lessor for certain real estate. For those agreements required to be capitalized, the financial statements recognize a lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term period and the deferred inflow of resources is amortized evenly over the term of the lease. Lease receivables are reported with other current assets and other noncurrent assets. Deferred inflow – lease receivable is reported as deferred inflow in the statement of net position.

The University uses its estimated incremental borrowing rate as the discount rate for leases and SBITAs unless the rate the lessor charges is known. This rate is based on the general obligation bonds' weighted average interest rate for a given year. If amendments or other certain circumstances occur that are expected to significantly affect the amount of the lease or SBITA, the present value is remeasured, and corresponding adjustments made. Payments based on future performance are not included in the measurement of the lease or subscription liability or lease receivable but recognized as expense or revenue in the period performed. Residual value guarantees and exercise options will be included in the measurement if they are reasonably certain to be paid or exercised. A minimum dollar threshold was established for lease reporting purposes of $30,000.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

Unearned revenue includes amounts for tuition and fees, grants, corporate sponsorship payments, and certain auxiliary activities received prior to the end of the fiscal year but earned in a subsequent accounting period.

Compensated Absences

The estimated cost of future payouts of annual leave and sick leave that employees have earned for services rendered, and which the employees may be entitled to receive upon termination or retirement, is recorded as a liability.

Pension Plans and OPEB Plans

Eligible employees of the University enroll in one of three available retirement plans immediately upon employment. The University also offers healthcare and tuition benefits to eligible employees upon employment, which vary depending upon the employee's labor group.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Employees' Retirement System (SERS) and Public-School Employees' Retirement System (PSERS) and additions to/deductions from SERS and PSERS fiduciary net position have been determined on the same basis as they are reported by SERS and PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net Other Postemployment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the System Plan, Retired Employees Health Program (REHP) and Premium Assistance Program (Premium Assistance) and additions to/deductions from the System Plan, REHP and Premium Assistance plans' fiduciary net position have been determined on the same basis as they are reported by the System Plan, REHP and Premium Assistance plans.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Scholarships and Waivers

In accordance with a formula prescribed by the National Association of College and University Business Officers (NACUBO), the State System allocates the cost of scholarships, waivers, and other student financial aid between discounts and allowances (netted against tuition and fees) and student aid expense. Scholarships and waivers of room and board fees are reported in auxiliary enterprises. The cost of tuition waivers granted to employees is reported as employees' benefits expense.

Income Taxes

The University, as a member of the State System, is tax-exempt; accordingly, no provision for income taxes has been made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

During the fiscal year ended June 30, 2026, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*, and Statement No. 104, *Disclosure of Certain Capital Assets*. Statement No. 103 enhances the financial reporting model by refining requirements related to management's discussion and analysis, presentation of unusual or infrequent items, and certain proprietary fund presentation matters. Statement No. 104 improves capital asset disclosures by requiring separate presentation for certain types of tangible and intangible capital assets, including lease assets and subscription-based information technology arrangement assets. Implementation of these standards had no impact on the University's net position.

NOTE 2 DEPOSITS AND INVESTMENTS

The University predominantly maintains its cash balances on deposit with the State System. The State System maintains these and other State System funds on a pooled basis. Although the State System pools its funds in a manner similar to an internal investment pool, individual State System entities do not hold title to any assets in the fund. The State System as a whole owns title to all assets. The University does not participate in the unrealized gains or losses on the investment pool; instead, the University holds shares equal to its cash balance. Each share has a constant value of $1, and income is allocated based on the number of shares owned. Revenue realized at the State System level is calculated on a daily basis and posted monthly to each entity's account as interest income. The University's portion of pooled funds totals $53,615,866 at June 30, 2026. Included in the University's portion of pooled funds are $7,465,914 of amounts held on behalf of the Association at June 30, 2026.

Board of Governors Policy 1986-02-A, *Investment*, authorizes the State System to invest operating funds in a range of fixed-income and money market instruments and establishes permitted investment categories, credit quality requirements, and concentration limits. Authorized investments include U.S. government securities, repurchase agreements, commercial paper, municipal and corporate bonds, collateralized mortgage obligations (CMOs), asset-backed securities, and System Investment Fund loans, each subject to specified ratings, issuer concentration, and portfolio percentage limitations. Restricted nonexpendable funds and amounts designated by the Board or university trustees may also be invested in corporate equities and approved pooled common funds. Universities may use local financial institutions for routine banking activities and may accept donated investments when risk is limited to the investment itself; restricted gifts of investments are excluded from the investment policy.

The State System invests funds prudently in accordance with legal and ethical standards, with primary emphasis on safety of principal and liquidity for operating funds. Portfolio diversification and regular performance monitoring are employed to manage risk. Speculative investments—including commodities, derivatives, equities (for operating funds), real or personal property, private placements, and unlisted securities—are prohibited.

Commercial paper is limited to P-1 and P-2 rated instruments, and municipal and corporate bonds must meet minimum long-term rating requirements. Investments in CMOs and asset-backed securities are restricted to Aaa-rated instruments and are subject to concentration limits. System Investment Fund loans and bridge notes are limited to five-year terms and are subject to portfolio allocation limits.

CMOs are subject to interest rate-related extension or contraction risk; however, the State System does not hold interest-only or principal-only CMOs. Credit risk is evaluated using Moody's Investors Service ratings. Interest rate risk is monitored using modified duration, with a target duration of 1.8 years and an upper limit of 2.5 years for the intermediate-term operating portfolio; duration targets do not apply to long-term investments.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments are measured and disclosed in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Fair value measurements are classified within the fair value hierarchy based on the observability of valuation inputs. Level 1 investments are valued using quoted prices in active markets; Level 2 investments are valued using observable market inputs, including matrix pricing; and Level 3 investments are valued using management assumptions due to the absence of observable market data. Certain investments measured at net asset value (NAV) are excluded from the fair value hierarchy.

Commonfund investments held by universities are reported at NAV based on the fair value of the underlying fund assets. Redemption terms vary by fund but generally permit withdrawals on a weekly or monthly basis with required advance notice.

CMO Risk

CMOs sometimes are based on cash flows from interest-only (IO) payments or principal-only (PO) payments and are sensitive to prepayment risks. The CMOs in the State System's portfolio do not have IO or PO structures; however, they are subject to extension or contraction risk based on movements in interest rates.

Moody's Rating

The State System uses ratings from Moody's Investors Service, Inc., to indicate the credit risk of investments, i.e., the risk that an issuer or other counterparty to an investment will not fulfill its obligations. An Aaa rating indicates the highest quality obligations with minimal credit risk. Ratings that begin with Aa indicate high quality obligations subject to very low credit risk; ratings that begin with A indicate upper-medium-grade obligations subject to low credit risk; and ratings that begin with Baa indicate medium-grade obligations, subject to moderate credit risk, that may possess certain speculative characteristics. Moody's appends the ratings with numerical modifiers 1, 2, and 3, with 1 indicating a higher ranking and 3 indicating a lower ranking within the category. For short-term obligations, a rating of P-1 indicates that issuers have a superior ability to repay short-term debt obligations, and a rating of P-2 indicates that issuers have a strong ability to repay short-term debt obligations.

Modified Duration

The State System denotes interest rate risk, or the risk that changes in interest rates will affect the fair value of an investment, using modified duration. Duration is a measurement in years of how long it takes for the price of a bond to be repaid by its internal cash flows. Modified duration takes into account changing interest rates. The State System maintains a portfolio duration target of 1.8 years with an upper limit of 2.5 years for the intermediate-term component of the operating portion of the investment portfolio. The State System's duration targets are not applicable to its long-term investments.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy

GASB Statement No. 72, *Fair Value Measurement and Application,* requires that investments be classified according to a "fair value hierarchy." With respect to Statement No. 72's fair value hierarchy, GASB defines "inputs" as "the assumptions that market participants would use when pricing an asset or liability, including assumptions about risk." Statement No. 72 further categorizes inputs as observable or unobservable: Observable inputs are "inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability"; Unobservable inputs are "inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability."

Statement No. 72's fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three "levels":

Level 1 – Investments whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market, such as stocks listed in the S&P 500 or NASDAQ. If an up-to-date price of the investment can be found on a major exchange, it is a Level 1 investment.

Level 2 – Investments whose values are based on their quoted prices in inactive markets or whose values are based on models, and the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Investments that trade infrequently, and as a result do not have many reliable market prices. Valuations of Level 3 investments typically are based on management assumptions or expectations. For example, a private equity investment or complex derivative would likely be a Level 3 investment.

In addition, the fair value of certain investments that do not have a readily determinable fair value is classified as NAV, meaning Net Asset Value per share, when the fair value is calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Securities classified in Level 3 of the fair value hierarchy lack an independent pricing source and so are valued using an internal fair value as provided by the investment manager.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

Detailed information regarding the fair value of the State System pooled deposits and investment portfolio is available in the financial statements of the State System, which can be found at www.passhe.edu. The University had $551,152 local investments recorded as fair value as of June 30, 2026 classified as Level 1 of the fair value hierarchy.

Investment revenue is reported net of related investment expenses. Investment expenses for the year ended June 30, 2026 were $14,798.

Demand and Time Deposits

On June 30, 2026, the carrying amount of the University's demand and time deposits were $2,382,727, as compared to bank balances of $2,421,736. The differences are primarily caused by items in-transit and outstanding checks. Of the bank balances at June 30, 2026, $250,000 was covered by federal government depository insurance; $-0- were uninsured and uncollateralized; and $2,171,736, was uninsured and uncollateralized but covered under the Commonwealth of Pennsylvania Act 72 of 1971 (Act 72), as amended. Act 72 allows banking institutions to satisfy the collateralization required by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments. At June 30, 2026, none of the University's demand and time deposits is exposed to foreign currency risk.

NOTE 3 LEASE RECEIVABLES

The University routinely leases various land or facilities to third parties and component units. The contracts, at times, may include variable payments that are not known or certain to be exercised at the time of the lease receivable valuation. These are recognized as income in the period that they occur. The leases expire at various dates through 2046 and annual installment payments total between $8,799 and $28,472 plus interest at a rate between 1.5% and 5.0%.

The lease revenue and interest income for the fiscal year ended June 30, 2026 are summarized in the following schedule.

	Third Parties
Lease Revenue	$ 217,066
Lease Revenue - Variable	28,094
Interest Income	47,831
Total	$ 292,991

NOTE 3 LEASE RECEIVABLES (CONTINUED)

The following summary provides aggregated information reported for June 30, 2026 lease receivables including additions, reductions for the years then ended.

	Balance June 30, 2025	2025-26 Additions	2025-26 Reductions	Balance June 30, 2026	Current Portion
Leases, Third Parties	$ 1,936,567	$ 197,878	$ (162,036)	$ 1,972,409	$ 149,417
Leases, Component Unit	-	48,860	(24,052)	24,808	24,808
Total	$ 1,936,567	$ 246,738	$ (186,088)	$ 1,997,217	$ 174,225

NOTE 4 CAPITAL ASSETS

Classifications of capital assets and related depreciation and amortization at June 30, 2026, follow.

	Balance June 30, 2025	Additions	Retirements/ Adjustments	Reclass	Balance June 30, 2026
Land	$ 7,820,699	$ -	$ -	$ -	$ 7,820,699
Construction in Progress	4,275,256	7,703,923	(2)	(3,589,348)	8,389,829
Total Capital Assets Not Being Depreciated	12,095,955	7,703,923	(2)	(3,589,348)	16,210,528
Buildings, Including Improvements	575,730,332	4,235,780	(1,620,607)	2,219,793	580,565,298
Improvements Other Than Buildings (Land and Improvements)	77,107,416	809,293	(177,639)	1,369,555	79,108,625
Furnishings and Equipment, Including Capital Leases	67,120,272	4,656,056	(8,508,281)	-	63,268,047
Library Books	14,317,084	6,233	(13,444)	-	14,309,873
Right-to-Use Assets Land	690,246	386,131	(690,246)	-	386,131
Right-to-Use Assets Building	456,019	247,160	(228,701)	-	474,478
Right-to-Use Assets Equipment	554,827	-	-	-	554,827
Subscription Assets	10,994,430	1,388,344	(1,217,917)	-	11,164,857
Total Capital Assets Being Depreciated and Amortized	746,970,626	11,728,997	(12,456,835)	3,589,348	749,832,136
Less: Accumulated Depreciation and Amortization:					
Buildings, Including Improvements	(287,939,468)	(18,134,849)	1,362,270	-	(304,712,047)
Land Improvements	(48,097,244)	(3,224,153)	52,088	-	(51,269,309)
Furnishings and Equipment Including Capital Leases	(60,304,709)	(3,090,408)	8,499,387	-	(54,895,730)
Library Books	(13,760,446)	(136,074)	13,444	-	(13,883,076)
Right-to-Use Assets Land	(690,246)	(77,226)	690,246	-	(77,226)
Right-to-Use Assets Building	(260,304)	(215,509)	228,701	-	(247,112)
Right-to-Use Assets Equipment	(332,896)	(110,965)	-	-	(443,861)
Subscription Assets	(6,643,519)	(2,797,420)	1,217,917	-	(8,223,022)
Total Accumulated Depreciation and Amortization	(418,028,832)	(27,786,604)	12,064,053	-	(433,751,383)
Total Capital Assets Being Depreciated and Amortized, Net	328,941,794	(16,057,607)	(392,782)	3,589,348	316,080,753
Capital Assets, Net	$ 341,037,749	$ (8,353,684)	$ (392,784)	$ -	$ 332,291,281

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2026:

	2026
Employees	$ 16,144,299
Suppliers and Service	12,450,555
Interest	276,055
Other	180,484
Total	$ 29,051,393

NOTE 6 UNEARNED REVENUE

Unearned revenue consisted of the following at June 30, 2026:

	Current	Noncurrent
Student Tuition and Fees	$ 7,165,083	$ -
Grants	171,365	-
Food Service Contract	634,095	77,087
Other	85,412	174,377
Total	$ 8,055,955	$ 251,464

NOTE 7 DEBT OBLIGATIONS

Bonds payable consist of tax-exempt revenue bonds issued by the State System through the Pennsylvania Higher Educational Facilities Authority (PHEFA). In connection with the bond issuances, the State System entered into loan agreements with PHEFA on behalf of the University under which the State System has pledged its full faith and credit for the repayment of the bonds. The loan constitutes an unsecured general obligation of the State System. The State System's board of governors has allocated portions of certain bond issuances to the University to undertake various capital projects or to advance refund certain previously issued bonds. The University is responsible for the repayment of principal and interest on its applicable portion of each obligation.

NOTE 7 DEBT OBLIGATIONS (CONTINUED)

The various bond series allocated to the University for the year ended June 30, 2026 are as follows:

	Weighted Average Interest Rate	Balance July 1, 2025	Bonds Issued	Bonds Redeemed/ Refunded	Balance June 30, 2026	Current Portion
Series AQ issued in May 2015 final maturity June 2036	3.75%	645,432	-	(645,432)	-	-
Series AR issued in September 2015 final maturity June 2040	3.64%	6,682,805	-	(438,659)	6,244,146	450,350
Series AT issued in September 2016 final maturity June 2044	3.86%	89,012,021	-	(3,731,694)	85,280,327	3,919,949
Series AU issued in September 2017 final maturity June 2042	3.36%	22,575,000	-	(2,405,000)	20,170,000	2,525,000
Series AW issued in September 2019 final maturity June 2044	4.36%	1,873,770	-	(437,180)	1,436,590	455,121
Series AX issued in July 2020 final maturity June 2042	3.48%	1,009,132	-	(102,317)	906,815	109,504
Series AY issued in October 2020 final maturity June 2036	1.82%	8,013,714	-	(1,284,875)	6,728,839	1,302,356
Total Bonds Payable		$ 129,811,874	$ -	$ (9,045,157)	120,766,717	$ 8,762,280
Plus: Unamortized Bond Premium Costs, Net					6,762,067	939,831
Outstanding - End of Year					$ 127,528,784	$ 9,702,111

Principal and interest maturities for each of the next five years and in subsequent five-year periods ending June 30 are as follows:

Series		2027	2028	2029	2030	2031	2032-2036	2037-2041	2042-2045	Total
AQ	Principal	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Interest	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
AR	Principal	450,350	462,041	473,732	486,902	501,886	2,485,448	1,383,787	-	6,244,146
	Interest	260,156	248,401	236,294	222,799	208,340	738,137	141,027		2,055,154
		710,506	710,442	710,026	709,701	710,226	3,223,585	1,524,814	-	8,299,300
AT	Principal	3,919,949	4,118,203	4,323,109	4,538,014	4,762,920	27,113,132	30,850,000	5,655,000	85,280,327
	Interest	3,262,785	3,066,788	2,860,877	2,644,722	2,417,821	8,814,222	3,679,500	342,600	27,089,315
		7,182,734	7,184,991	7,183,986	7,182,736	7,180,741	35,927,354	34,529,500	5,997,600	112,369,642
AU	Principal	2,525,000	2,650,000	2,785,000	2,900,000	3,010,000	6,300,000	-	-	20,170,000
	Interest	765,450	639,200	506,700	395,300	279,300	284,850	-	-	2,870,800
		3,290,450	3,289,200	3,291,700	3,295,300	3,289,300	6,584,850	-	-	23,040,800
AW	Principal	455,121	478,783	502,686	-	-	-	-	-	1,436,590
	Interest	71,830	49,073	25,134	-	-	-	-	-	146,037
		526,951	527,856	527,820	-	-	-	-	-	1,582,627
AX	Principal	109,504	116,692	124,132	126,487	80,000	350,000	-	-	906,815
	Interest	36,541	31,066	25,231	19,024	12,700	20,250	-	-	144,812
		146,045	147,758	149,363	145,511	92,700	370,250	-	-	1,051,627
AY	Principal	1,302,356	1,321,294	1,344,603	1,366,454	1,394,132	-	-	-	6,728,839
	Interest	121,491	101,956	80,485	56,954	29,625	-	-	-	390,511
		1,423,847	1,423,250	1,425,088	1,423,408	1,423,757	-	-	-	7,119,350
Total	Principal	8,762,280	9,147,013	9,553,262	9,417,857	9,748,938	36,248,580	32,233,787	5,655,000	120,766,717
	Interest	4,518,253	4,136,484	3,734,721	3,338,799	2,947,786	9,857,459	3,820,527	342,600	32,696,629
		$ 13,280,533	$ 13,283,497	$ 13,287,983	$ 12,756,656	$ 12,696,724	$ 46,106,039	$ 36,054,314	$ 5,997,600	$ 153,463,346

NOTE 7 DEBT OBLIGATIONS (CONTINUED)

The University participates in the State System's Academic Facilities Renovation Bond Program (AFRP), which was established for the purpose of renovating the academic facilities across the State System. The State System will issue bonds to provide a pool for funding for AFRP ($627,147 was outstanding as of June 30, 2026). Universities can request funds for AFRP projects in accordance with their pre-approved amount of funding from the pool. Repayments to the pool are made annually based on the University's proportionate share of the total allocation of funds under the program.

Changes in the balance owed by the University to the AFRP pool of funding were as follows:

	2026
Balance at July 1	$ 219,511
Repayments	(106,868)
Balance at June 30	$ 112,643
Current Portion	$ 85,484

NOTE 8 COMPENSATED ABSENCES

Compensated absences activity consisted of the following during 2026:

	Current	Noncurrent
Compensated Absences	$ 2,139,354	$ 17,356,339
Total	$ 2,139,354	$ 17,356,339

Changes in the compensated absence liability were as follows:

	2026
Balance - July 1	$ 20,126,773
Current Changes in Estimate	1,870,304
Payouts	(2,501,384)
Balance - June 30	$ 19,495,693

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The State System provides postemployment healthcare and other non-pension benefits to eligible retirees through one of the following OPEB plans:

- State System Plan (System Plan)
- Retired Employees Health Program (REHP)
- PSERS Health Insurance Premium Assistance Program (Premium Assistance)

The table below provides the total of the University's OPEB liabilities, deferred outflows of resources, deferred inflows of resources, OPEB expense and contributions related to these various plans for the fiscal year ended June 30, 2026.

	SSHE Plan	REHP	PSERS	Total
Net OPEB Liabilities	$ 64,963,715	$ 32,399,507	$ 492,198	$ 97,855,420
Deferred Outflows of Resources:				
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	-	169	169
Difference Between Expected and Actual Experience	-	814,237	1,186	815,423
Changes in Assumptions	725,495	719,131	19,647	1,464,273
Changes in Proportion	-	6,230,637	8,299	6,238,936
Contributions After the Measurement Date	4,158,862	2,636,725	31,105	6,826,692
Total Deferred Outflows of Resources	$ 4,884,357	$ 10,400,730	$ 60,406	$ 15,345,493
Deferred Inflows of Resources:				
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	$ -	$ 428,835	$ -	$ 428,835
Difference Between Expected and Actual Experience	60,071,101	14,546,386	8,977	74,626,464
Changes in Assumptions	16,476,396	6,853,629	84,517	23,414,542
Changes in Proportion	-	12,657,318	23,543	12,680,861
Total Deferred Inflows of Resources	$ 76,547,497	$ 34,486,168	$ 117,037	$ 111,150,702
OPEB Expense	$ (27,618,380)	$ (9,978,587)	$ (12,280)	$ (37,609,247)
Contributions Recognized by OPEB Plans	$ 4,158,862	$ 2,636,725	$ 31,105	$ 6,826,692

The University will recognize the deferred outflows of resources resulting from contributions after the measurement date totaling $4,158,862 for the System Plan, $2,636,725 for the REHP plan and $31,105 for the Premium Assistance Plan, as reductions of the respective net OPEB liabilities in the year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

	Amortization		
Fiscal Year Ended June 30,	SSHE	REHP	PSERS
2027	$ (25,667,396)	$ (11,074,166)	$ (29,132)
2028	(25,667,396)	(8,057,044)	(29,640)
2029	(13,848,744)	(4,817,952)	(9,824)
2030	(10,638,466)	(1,481,522)	(11,179)
2031	-	(1,291,479)	(7,961)

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

System Plan

Plan Description

Plan Description: The System Plan is a single-employer self-insured defined benefit healthcare plan administered by the System Office. Act 188 authorizes the Board to establish and amend benefit provisions and to require the System Office to pay OPEB benefits as they become due. Effective January 16, 2016, the System Plan was closed to newly hired State College and University Professional Association (SCUPA), Security, Police and Fire Professionals of America (SPFPA), PASSHE Officers Association (POA), Office of Professional Employees International Union (OPEIU), and nonrepresented employees; newly hired Association of Pennsylvania State College and University Faculties (APSCUF) employees (faculty and coaches) continue to be eligible to participate in the Plan. The System Plan does not hold assets in a trust that is dedicated to providing benefits and is therefore administered on a pay-as-you-go basis.

Benefits Provided: The System Plan provides eligible retirees and their eligible dependents with healthcare benefits, including hospital, medical/surgical, prescription drug coverage, and a Medicare supplement for individuals age 65 and older. Retiree coverage varies based on the benefits in effect at the time of retirement and may continue for the retiree's lifetime. Spouse coverage generally ceases upon the retiree's death, although surviving spouses may continue coverage at full cost. Dependent coverage is available for non-spouse dependents up to age 19, or age 25 for full-time students. Certain employee groups receive pre-Medicare benefits that mirror active employee benefits based on retirement date, while all other pre-Medicare retirees continue to receive the benefits in effect at retirement.

Membership: As of the July 1, 2024 actuarial valuation, the plan covered 10,975 participants (down from 11,307 as of July 1, 2022), including 5,476 active employees that may be entitled to receive benefit payments upon retirement, 484 retired participants entitled to but not yet receiving benefits and 5,015 retired participants receiving benefits.

Contributions: Plan members receiving benefits contribute toward the cost of coverage at rates that vary based on retirement date, Medicare eligibility, and applicable collective bargaining agreements. Certain retiree groups are not required to make contributions, while others contribute a fixed dollar amount or a percentage of premium or final salary, with contribution requirements potentially changing over time in accordance with plan provisions. For fiscal year ended June 30, 2026, the University contributed $4,158,862 to the plan.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

System Plan (Continued)

Actuarial Assumptions: The System Plan OPEB liability was measured as of July 1, 2025, using an actuarial valuation prepared as of July 1, 2024. The System performs actuarial valuations every two years for the System Plan and utilizes a measurement date that is the first day of its current fiscal year end. The actuarial cost method used was entry age.

Significant assumptions included a discount rate of 4.81% (4.29% in the prior valuation), based on a 20-year high-grade municipal bond index, healthcare cost trend rates beginning at 7.0% and gradually declining to 4.0% over time, and mortality assumptions based on PUB-2010 tables with generational improvement. The July 1, 2025 measurement reflects the implementation of a fully insured Medicare Advantage PPO plan for Medicare-eligible retirees and covered spouses, which materially reduced the total OPEB liability. Other actuarial assumptions, including participation, retirement, and withdrawal rates, were based on the Plan's experience and expectations. Participant data was based on census information as of July 1, 2024.

Total OPEB Liability: The University's proportionate share of the System Plan's total OPEB liability was $64,963,715 as of June 30, 2026, measured and determined by an actuarial valuation as of July 1, 2024.

Changes in the System Plan Total OPEB Liability	Fiscal Year Ending June 30, 2026
Total OPEB Liability - Beginning Balance	$ 119,430,235
Service Cost	3,046,749
Interest	5,133,500
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(53,082,902)
Changes in Assumptions	(2,026,273)
Benefit Payments	(7,537,594)
Net Changes	(54,466,520)
Total OPEB Liability - Ending Balance	$ 64,963,715
Covered Employee Payroll	$ 73,112,120
OPEB Liability as a Percent of Covered Payroll	88.85%

Sensitivity of Total OPEB Liability: The total OPEB liability is sensitive to changes in the discount rate and healthcare cost trend rate assumptions. The effects of a one-percentage-point increase or decrease in these assumptions on total OPEB liability are presented in the accompanying sensitivity tables.

Sensitivity of the System Plan's Proportionate Share of the University's Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (in Thousands)

	1% Decrease (6.0% decreasing to 3.0%)	Healthcare Cost Trend Rates (7.0% decreasing to 4.0%)	1% Increase (8.0% decreasing to 5.0%)
2026	$ 54,936	$ 64,964	$ 77,433

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

System Plan (Continued)

Sensitivity of the System Plan's Proportionate Share of the University's Net OPEB Liability to Changes in the Discount Rate (in Thousands)

	1% Decrease 3.81%	Current Rate 4.81%	1% Increase 5.81%
2026	$ 72,770	$ 64,964	$ 58,417

REHP

Plan Description: The Retired Employees Health Program (REHP) is a single-employer, defined benefit other postemployment benefits plan that includes Commonwealth agencies and some component units. The REHP is established as a trust equivalent arrangement. The plan is administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as a third-party administrator under an administrative agreement with the Commonwealth. The REHP is provided as part of collective bargaining agreements with most Commonwealth labor unions. All policy decisions and types and levels of benefits for the REHP fall under the purview of the Commonwealth's Executive Board, and the Secretary of Administration. The REHP does not have a governing board.

The REHP is reported in the Commonwealth's Annual Comprehensive Financial Report (ACFR) as a Pension (and Other Employee Benefit) Trust. Because this ACFR is publicly available, the State System has omitted plan-level disclosures as permitted under GASB 68.

The ACFR can be accessed at: https://www.pa.gov/agencies/budget.

Benefits: The REHP provides eligible retirees and their eligible dependents with postemployment healthcare benefits for the retiree's lifetime. Benefits include medical, prescription drug, and Medicare-related coverage. Coverage options and retiree cost-sharing requirements vary based on date of hire, retirement date, bargaining unit, and Medicare eligibility. Surviving spouses may continue coverage at full cost, subject to plan provisions.

Contributions: Employer contribution requirements are established by the Commonwealth in accordance with statutory authority. Employers contribute to the REHP based on a per-pay-period retiree health assessment for each eligible active employee. Contribution rates are subject to change at the discretion of the Commonwealth and are intended to fund current benefit costs and a portion of the long-term obligation. For fiscal year ended June 30, 2026, the University contributed $2,636,725 to the plan.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

REHP

Actuarial Assumptions: The REHP net OPEB liability was measured as of June 30, 2025. Key assumptions in the plan's actuarial valuation include discount rate of 6.68% (6.09% in the prior year), based on a blend of the long-term expected rate of return on REHP plan investments and a municipal bond index; healthcare cost trend assumptions, and mortality rates based on PUB-2010 tables with generational improvement.

Employer-Specific Net OPEB Liability and Related Amounts: At June 30, 2026, the University's proportionate share of the REHP net OPEB liability was $32,399,507, based on its relative contributions compared to all participating employers. At June 30, 2026, the University's proportion was 3.3996%. The University's proportion decreased from the prior measurement date by 0.1261%.

The long-term expected rate of return on REHP plan investments was determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over extended periods of time to produce an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	42.0 %	4.9 %
Non-US Equity	22.0	10.6
US Fixed Income	22.0	2.5
Public REITs	3.0	-
Infrastructure	4.0	4.3
Core Real Estate	5.0	3.8
Cash and Cash Equivalents	1.0	0.9
Private Equity	1.0	8.7
Total	100.0 %	

Sensitivity of REHP Net OPEB Liability: The REHP net OPEB liability is sensitive to changes in the discount rate and healthcare cost trend rate assumptions. The effects of a one-percentage-point increase or decrease in these assumptions on net OPEB liability are presented in the accompanying sensitivity tables.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

REHP (Continued)

Sensitivity of the REHP Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (in Thousands)

	1% Decrease 7.60%	Healthcare Cost 8.60%	1% Increase 9.60%
2026	$ 28,196	$ 32,400	$ 37,391

Sensitivity of the REHP Net OPEB Net OPEB Liability to Changes in the Discount Rate (in Thousands)

	1% Decrease 5.68%	Current Rate 6.68%	1% Increase 7.68%
2026	$ 36,244	$ 32,400	$ 29,056

Premium Assistance

Plan Description: The Health Insurance Premium Assistance Program (Premium Assistance) is a cost-sharing, multiple-employer OPEB plan administered by the Public School Employees' Retirement System (PSERS). The Program is authorized by state statute and provides premium assistance payments to eligible retirees of participating employers, including the State System. PSERS is responsible for the administration and investment oversight of the Program. PSERS issues a publicly available audited Annual Comprehensive Financial Report (ACFR) that includes detailed information about the plan's fiduciary net position, investment policies, plan-level actuarial assumptions, and other plan-wide disclosures. Because this ACFR is publicly available, the State System has omitted plan-level disclosures.

The PSERS ACFR can be accessed at: www.psers.pa.gov.

Benefits: Eligible retirees may receive premium assistance payments equal to the lesser of $100 per month or the retiree's out-of-pocket cost for qualified health insurance coverage. Retirees must meet statutory eligibility requirements and obtain coverage through approved programs to qualify for benefits. Program benefits are not subject to automatic increases and may be modified only through legislative action.

Contributions: Employer contribution rates are established by PSERS in accordance with applicable statutory provisions and actuarial determinations. Contributions are structured to ensure sufficient reserves to pay Premium Assistance benefits expected to become due in the near term. In accordance with statute, a portion of the employer contribution requirement is paid directly by the Commonwealth on behalf of participating employers. For the fiscal year ended June 30, 2026, the contractually required employer contribution rate was 0.62% of covered payroll. In accordance with statute, the Commonwealth contributed 50% of the employer contribution on behalf of the University. The University contributed $31,105, equal to its required contractual contribution of 0.31%.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Premium Assistance

Actuarial Assumptions: The Premium Assistance net OPEB liability is measured using actuarial assumptions that reflect the Program's short-term, pay-as-you-go funding structure. The discount rate of 4.81% (4.21% in the prior year) is based on a high-grade municipal bond index due to the absence of long-term prefunding. Other assumptions include healthcare participation rates, mortality assumptions based on PUB-2010 tables with generational improvement, and benefit payment limits established in statute.

Employer-Specific Net OPEB Liability and Related Amounts: At June 30, 2026, the University's proportionate share of the Premium Assistance plan net OPEB liability was $492,198, based on its relative covered payroll compared to all participating employers. At June 30, 2026, the University's proportion was 0.1767%. The University's proportion decreased from the prior measurement date by 0.0026%.

Investments consist primarily of short term assets designed to protect principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The PSERS OPEB plan's policy about the allocation of invested plan assets is established and may be amended by the PSERS Board of Trustees. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year.

For the year ended June 30, 2025, the annual money-weighted rate of return on PSERS OPEB plan investments, net of PSERS OPEB plan investment expense, was 4.90%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.0 %	1.7 %
Total	100.0 %	

Sensitivity of Net OPEB Liability: The Premium Assistance plan net OPEB liability is sensitive to changes in the discount rate and healthcare cost trend rate assumptions. The effects of a one-percentage-point increase or decrease in these assumptions on net OPEB liability are presented in the accompanying sensitivity tables.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Premium Assistance (Continued)

Sensitivity of the Premium Assistance Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (in Thousands)

	1% Decrease (Between 4.0% and 5.6%)	Healthcare Cost Trend Rates (Between 5.0% and 6.6%)	1% Increase (Between 6.0% and 7.6%)
2026	$ 492	$ 492	$ 492

Sensitivity of the Premium Assistance Net OPEB Net OPEB Liability to Changes in the Discount Rate (in Thousands)

	1% Decrease 3.81%	Current Rate 4.81%	1% Increase 5.81%
2026	$ 554	$ 492	$ 441

NOTE 10 PENSION BENEFITS

Employees of the State System participate in one of the following retirement plans upon employment:

- Commonwealth of Pennsylvania Employees' Retirement System (SERS)
- Public School Employees' Retirement System (PSERS)
- Alternative Retirement Plan (ARP)

The table below provides the total of the University's pension liabilities, deferred outflows and inflows of resources related to pensions, pension expense and contributions related to these various plans for the fiscal year ended June 30, 2026.

NOTE 10 PENSION BENEFITS (CONTINUED)

	SERS	PSERS	ARP	Total
Net Pension Liabilities	$ 114,079,136	$ 12,150,987	$ -	$ 126,230,123
Deferred Outflows of Resources:				
Difference Between Expected and Actual Experience	4,468,493	204,907	-	4,673,400
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	-	-	-	-
Changes in Assumptions	2,138,452	-	-	2,138,452
Difference Between Employer Contributions and Proportionate Share of Contributions	238,457	(15,190)	-	223,267
Changes in Proportion	-	88,915	-	88,915
Contributions After the Measurement Date	9,036,971	1,668,157	-	10,705,128
Total Deferred Outflows of Resources	$ 15,882,373	$ 1,946,789	$ -	$ 17,829,162
Deferred Inflows of Resources				
Difference Between Expected and Actual Experience	$ 13,591	$ 102,191	$ -	$ 115,782
Net Difference Between Projected and Actual Investment Earnings and Pension Plan Investments	12,564,171	42,623	-	12,606,794
Difference Between Employer Contributions and Proportionate Share of Contributions	132,909	-	-	132,909
Changes in Proportion	5,902,648	190,757	-	6,093,405
Total Deferred Inflows of Resources	$ 18,613,319	$ 335,571	$ -	$ 18,948,890
Pension Expense	$ 7,013,639	$ 902,449	$ 5,503,345	$ 13,419,433
Contributions Recognized by Pension Plans	$ 16,063,466	$ 1,668,157	N/A	$ 17,731,623

The University will recognize the $9,036,971 reported as 2026 SERS deferred outflows of resources resulting from pension contributions after the measurement date, and the $1,668,157 reported as 2026 PSERS deferred outflows of resources resulting from pension contributions after the measurement date, as reductions of the respective net pension liabilities in the year ended June 30, 2027.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Amortization	
Year Ending June 30,	SERS	PSERS
2027	$ 4,276,942	$ 288,889
2028	(7,217,005)	(86,285)
2029	(4,994,745)	(135,449)
2030	(3,833,109)	(124,095)
2031	-	-
Total	$ (11,767,917)	$ (56,940)

NOTE 10 PENSION BENEFITS (CONTINUED)

SERS

Plan Description: SERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania. SERS also administers defined contribution and hybrid retirement plans for employees hired on or after January 1, 2019. SERS is reported as a component unit / pension trust fund of the Commonwealth. SERS issues a publicly available audited Annual Comprehensive Financial Report (ACFR) that includes detailed information about the plan's fiduciary net position, investment policies, plan-level actuarial assumptions, and other plan-wide disclosures required by GASB 68, *Accounting and Financial Reporting for Pensions*. Because this ACFR is publicly available, the State System has omitted plan-level disclosures as permitted under GASB 68.

The SERS ACFR can be accessed at: www.sers.pa.gov.

Benefits: SERS provides retirement, disability, and death benefits. Benefit provisions are established through statute. Normal retirement benefits are based on years of service and final average salary, with reduced benefit formulas and hybrid defined benefit/defined contribution options or a straight 401(a) defined contribution option applicable to later employee cohorts.

Contributions: Contribution rates for employees and employers vary by membership class and plan type. For fiscal year ended June 30, 2026, the University contributed $16,063,466 to SERS defined benefit plan and $165,209 to the SERS defined contribution plan, which equaled the contractually required contributions.

Actuarial Assumptions: The SERS net pension liability was measured as of December 31, 2025. Key assumptions in the SERS plan's actuarial valuation include an assumed rate of return of 6.875%, inflation of 2.50%, salary increases based on an average of 5.43%, the entry age actuarial cost method, and mortality based on PubG-2016 tables with generational improvement.

Employer-Specific Net Pension Liability and Related Amounts: At June 30, 2026, the University's proportionate share of the SERS net pension liability was $114,079,136, based on a proportion of 3.8656%, measured at December 31, 2025. The University's proportion decreased from the prior measurement date by 0.1181%. The allocation percentage assigned to each participating employer is based on a projected contribution method.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of manager fees and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in SERS' target asset allocation as of December 31, 2025, are summarized below.

NOTE 10 PENSION BENEFITS (CONTINUED)

SERS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	16.00 %	5.11 %
Real Estate	7.00	3.84
U.S. Equity	37.00	2.34
International Developed Markets Equity	14.00	5.04
Emerging Markets Equity	2.00	5.53
Fixed Income	19.00	1.98
Inflation Protection (TIPS)	3.00	1.35
Cash	2.00	0.23
Total	100.0 %	

The discount rate used to measure the total SERS pension liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary and as set by statute. Based on those assumptions, SERS' fiduciary net position was projected to be available to make all projected future benefit payments of current SERS members. The long-term expected rate of return on SERS' investments, therefore, was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability: The SERS net pension liability is sensitive to changes in the assumed rate of return. The sensitivity analysis showing the impact of a one-percentage-point increase or decrease is presented in the accompanying table:

Sensitivity of the University's Proportionate Share of the
SERS Net Pension Liability to Changes in the Discount Rate
(in Thousands)

	1% Decrease 5.875%	Current Rate 6.875%	1% Increase 7.875%
2026	$ 145,409	$ 114,079	$ 67,157

PSERS

Plan Description: PSERS is a cost-sharing, multiple-employer defined benefit pension plan providing retirement, disability, and death benefits to eligible public education employees. PSERS is administered under state statute and reported as a component unit / pension trust fund of the Commonwealth. PSERS issues a publicly available audited Annual Comprehensive Financial Report (ACFR) that includes detailed information about the plan's fiduciary net position, investment policies, plan-level actuarial assumptions, and other plan-wide disclosures required by GASB 68, *Accounting and Financial Reporting for Pensions*. Because this ACFR is publicly available, the State System has omitted plan-level disclosures as permitted under GASB 68.

NOTE 10 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

The PSERS ACFR can be accessed at: www.psers.pa.gov.

Benefits Provided: Benefits are determined based on membership class, years of service, age, and final average salary.

Contributions: For the fiscal year ended June 30, 2026, the actuarially determined employer contribution rate was 32.96% of covered payroll. In accordance with statute, the Commonwealth contributed 50% of the employer contribution on behalf of the State System. The University contributed $1,668,157, equal to its required contractual contribution of 16.48%. For the PSERS defined contribution plan, the actuarially required employer contribution rate was 0.42% of active members' annual covered payroll, depending upon the plan chosen by the employee.

Actuarial Assumptions: The PSERS net pension liability was measured as of June 30, 2025. Key assumptions in the PSERS plan's actuarial valuation include an assumed rate of return of 7.00%, inflation of 2.50%, salary increases based on an average of 4.50%, and mortality based on PUB-2010 tables with generational improvement.

Employer-Specific Net Pension Liability and Related Amounts: At June 30, 2026, the University's proportionate share of the PSERS net pension liability was $12,150,987, based on a proportion of 0.1792%. The University's proportion decreased from the prior measurement date by 0.0019%. The allocation percentage assigned to each participating employer using the employer's one-year reported covered payroll in relation to all participating employers' one-year reported covered payroll. The total PSERS net pension liability associated with the University was $24,301,974 with $12,150,987 of this amount associated to the Commonwealth's proportionate share this liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

PSERS' policy about the allocation of invested plan assets is established and may be amended by the PSERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension. For the year ended June 30, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 9.65%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

NOTE 10 PENSION BENEFITS (CONTINUED)

PSERS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	32.0 %	4.2 %
Private Equity	12.0	6.8
Fixed Income	34.0	3.5
Commodities	4.0	3.9
Infrastructure	10.0	5.9
Real Estate	8.0	6.4
Total	100.0 %	

The discount rate used to measure the total PSERS pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, PSERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on PSERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability: The PSERS net pension liability is sensitive to changes in the assumed rate of return. The sensitivity analysis showing the impact of a one-percentage-point increase or decrease is presented in the accompanying table:

Sensitivity of the University's Proportionate Share of the PSERS Net Pension Liability to Changes in the Discount Rate (in Thousands)

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
2026	$ 16,395	$ 12,151	$ 8,565

ARP

The ARP is a defined contribution plan administered by the State System. Benefits are based solely on contributions and investment earnings. Act 188 empowers the Board to establish and amend benefit provisions. The State Employees' Retirement Code establishes the employer contribution rates for the ARP, while the Board establishes the employee contribution rates. Active members contribute at a rate of 5% of their qualified compensation. The University's contribution rate is 9.29% of qualifying compensation, and totaled $5,503,348 for the year ended June 30, 2026. No pension liability or deferred inflows or outflows are reported for the ARP.

NOTE 11 WORKERS' COMPENSATION

The University participates in the State System's self-insured workers' compensation plan. For claims occurring prior to July 1, 1995, the University is responsible for claims less than $100,000; for claims occurring on or after July 1, 1995, the University is responsible for claims less than $200,000. Claims in excess of the self-insurance limits are funded through the Workers' Compensation Collective Reserve Fund (Reserve Fund), to which all Universities of the State System contribute in the amount determined by an independent actuarial study. Based on updated actuarial studies, the University contributed $214,958 to the Reserve Fund during the year ended June 30, 2026.

Changes in the University's claims liability were as follows:

Balance - July 1	$ 1,320,024
Current Year Claims and Changes in Estimate	280,892
Payments	(346,132)
Balance - June 30	$ 1,254,784
Current Portion	$ 585,941

NOTE 12 RIGHT-TO-USE LEASES, SUBSCRIPTION AGREEMENTS, AND FINANCED PURCHASES

The University routinely leases various facilities and equipment and enters into subscription-based information technology arrangements (SBITAs) instead of purchasing the assets. The contracts, at times, may include variable payments, residual value guarantees or termination penalties that are not known or certain to be exercised at the time of the lease or subscription liability valuation. These are recognized as expenses in the period that they occur. There were no variable payments, termination penalties or residual guarantee payments expensed for the fiscal year ended June 30, 2026. The leases and SBITAs expire at various dates through 2030, and annual installment payments total between $7,352 and $733,783 plus interest at a rate between 1.5% and 3.8%.

The following schedule provides future minimum principal and interest payments to maturity for financed purchases and right to use leases.

Fiscal Year	Financed Purchases		Right-to-Use Leases With Third Parties		Right-to-Use Leases With Component Units		Subscription Agreements	
Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2027	$ 342,407	$ 37,756	$ 288,907	$ 10,709	$ 34,118	$ 1,817	$ 1,406,450	$ 71,435
2028	400,113	25,558	126,300	6,494	36,665	719	447,063	16,879
2029	412,694	12,977	81,967	3,312	6,264	8	87,803	1,963
2030	425,671	-	87,162	675	-	-	34,394	-
Total	$ 1,580,885	$ 76,291	$ 584,336	$ 21,190	$ 77,047	$ 2,544	$ 1,975,710	$ 90,277

NOTE 12 RIGHT-TO-USE LEASES, SUBSCRIPTION AGREEMENTS, AND FINANCED PURCHASES (CONTINUED)

The following summary provides aggregated information reported for June 30, 2026 right to use liabilities including additions, reductions and reported liabilities for the years then ended.

	Beginning Balance	Additions	Reductions	Ending Balance
Financed Purchases	$ -	$ 2,002,482	$ (421,597)	$ 1,580,885
Leases, Third Parties	397,680	529,559	(342,903)	584,336
Leases, Comp Units	25,882	103,730	(52,565)	77,047
Subscription Liabilities	3,228,709	1,388,343	(2,641,342)	1,975,710
Total	$ 3,652,271	$ 4,024,114	$ (3,458,407)	$ 4,217,978

NOTE 13 BENEFICIAL INTERESTS

At June 30, 2026 the fair value of beneficial interests totaled $6,362,252, representing gifts that donors placed in trust in perpetuity with third parties, with the University receiving a restricted revenue stream in accordance with the donors' wishes.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Contingencies

The nature of the educational industry is such that, from time to time, the University is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; labor disputes; disagreements arising from the interpretation of laws or regulations; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system.

The University is self-insured for workers' compensation up to stated limits (see Note 11). For all other risks of loss, the University pays annual premiums to the Commonwealth to participate in its Risk Management Program. The University does not participate in any public entity risk pools and does not retain risk related to any aforementioned exposure, except for those amounts incurred relative to policy deductibles that are not significant. The University has not reduced significantly any of its insurance coverage from the prior year. Settled claims have not significantly exceeded the University's commercial coverage in any of the past three years. It is not expected that the resolution of any outstanding claims and litigation will have a material adverse effect on the accompanying financial statements.

Construction Commitments

Authorized expenditures for construction projects unexpended as of June 30, 2026 was approximately $5,228,513.

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Labor Concentration

Approximately 84% of the State System's full-time equivalent (FTE) employees are covered by eight collective bargaining agreements. Seven of those agreements are effective through June 30, 2027 and include the following: American Federation of State, County, and Municipal Employees (AFSCME); APSCUF; APSCUF Non-Faculty Athletic Coaches; OPEIU; SCUPA; Service Employees International Union (SEIU); and Pennsylvania Doctors Alliance (PDA). The agreement with the POA is effective through August 31, 2028.

NOTE 15 SUBSEQUENT EVENTS

Bond Defeasance Funds

The Commonwealth's General Appropriations Act of 2026 (Act 1A of 2026) included a state appropriation to the State System in the amount of $78,102,000 for facilities transition and improvements. The funding is intended to be used by the State System to allocate no less than $78,102,000 for the defeasance of debt incurred for capital projects at various universities and campuses across the State System, specifically Commonwealth University – Mansfield and Bloomsburg campuses, Millersville University, and Shippensburg University. This transaction is anticipated to occur in fourth quarter of calendar year 2026

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Changes in the System Plan Total OPEB Liability	Fiscal Year Ending June 30, 2026	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2024	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019
Total OPEB Liability - Beginning Balance	$ 119,430,235	$ 134,543,769	$ 133,264,440	$ 213,703,834	$ 221,072,810	$ 197,123,749	$ 205,967,418	$ 229,241,502
Service Cost	3,046,749	3,779,381	3,747,649	6,257,250	6,810,309	5,105,352	5,579,487	6,651,617
Interest	5,133,500	5,587,721	5,441,121	4,937,254	4,570,507	6,670,754	6,198,216	7,261,871
Changes of Benefit Terms	-	-	-	(1,260,296)	-	(3,724,259)	(1,744,653)	(159,898)
Differences Between Expected and Actual Experience	(53,082,902)	(16,506,516)	-	(32,077,711)	-	(19,424,644)	-	(27,605,359)
Changes in Assumptions	(2,026,273)	(1,507,531)	1,558,683	(46,968,652)	(14,315,012)	44,912,623	(9,015,262)	(1,812,232)
Benefit Payments	(7,537,594)	(6,466,589)	(9,468,124)	(11,327,239)	(4,434,780)	(9,590,765)	(9,861,457)	(7,610,083)
Net Changes	(54,466,520)	(15,113,534)	1,279,329	(80,439,394)	(7,368,976)	23,949,061	(8,843,669)	(23,274,084)
Total OPEB Liability - Ending Balance	$ 64,963,715	$ 119,430,235	$ 134,543,769	$ 133,264,440	$ 213,703,834	$ 221,072,810	$ 197,123,749	$ 205,967,418
Covered Employee Payroll	$ 73,112,120	$ 75,746,799	$ 73,970,769	$ 76,137,200	$ 87,514,679	$ 86,875,640	$ 89,812,689	$ 91,317,314
OPEB Liability as a Percent of Covered Payroll	88.85%	157.67%	181.89%	175.03%	244.19%	254.47%	219.48%	225.55%

Note to Schedule: The System Plan has no assets accumulated in a trust in which the employer contributions are irrevocable, are dedicated to providing OPEB to plan members, or are legally protected from creditors.This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

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Schedule of Proportionate Share of REHP's Net OPEB Liability
Determined as of REHP's June 30 Measurement Dates
(in Thousands)

Fiscal Year	State System's Proportion	University's Proportion Share	University's Covered Employee Payroll	University's Proportionate Share of Net OPEB Liability as a % of Covered-Employee Payroll	REHP's Fiduciary Net Position as a % of Total OPEB Liability
2017/18	4.374 %	$ 160,079	$ 21,824	734 %	1.4 %
2018/19	4.573	121,397	21,653	561	2.2
2019/20	4.370	85,035	21,877	389	3.8
2020/21	4.275	100,017	22,050	454	3.7
2021/22	4.026	80,558	20,480	393	3.7
2022/23	3.678	65,754	18,441	357	5.9
2023/24	3.029	41,363	18,452	224	8.8
2024/25	3.526	43,701	18,576	235	11.6
2025/26	3.400	32,400	20,645	157	16.4

REHP Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by REHP	Contribution Deficiency (Excess)	Covered-Payroll	Contributions as a % of Covered-Employee Payroll
2017/18	$ 3,955	$ 3,955	$ -	$ 26,514	14.9 %
2018/19	4,818	4,818	-	27,373	17.7
2019/20	3,716	3,716	-	26,546	14.4
2020/21	2,026	2,026	-	25,564	8.0
2021/22	1,677	1,677	-	23,971	7.1
2022/23	1,456	1,456	-	22,964	6.3
2023/24	3,325	3,325	-	23,782	14.0
2024/25	3,063	3,063	-	23,910	12.8
2025/26	2,637	2,637	-	23,701	11.1

Note to Schedule: This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
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Schedule of Proportionate Share of PSERS Net OPEB Liability
Determined as of June 30, PSERS Measurement Date
(in Thousands)

Fiscal Year	PSERS Net OPEB Liability: State System's Proportion	PSERS Net OPEB Liability: University's Proportion Share	PSERS Net OPEB Liability: Commonwealth's Proportion Share	PSERS Net OPEB Liability: Total	University's Covered Employee Payroll	University's Proportionate Share of Net OPEB Liability as a % of Covered-Employee Payroll	PSERS Fiduciary Net Position as a % of Total OPEB Liability
2017/18	0.1811 %	$ 708	$ 708	$ 1,416	$ 9,248	7.66 %	5.73 %
2018/19	0.1836	743	743	1,486	9,595	7.74	5.56
2019/20	0.1886	751	751	1,502	9,733	7.71	5.56
2020/21	0.1852	692	692	1,384	8,971	7.70	5.69
2021/22	0.1770	755	755	1,510	9,052	8.36	5.30
2022/23	0.1780	592	592	1,184	9,453	6.26	6.86
2023/24	0.1821	585	585	1,170	9,906	5.90	7.22
2024/25	0.1793	563	563	1,125	10,058	5.59	7.13
2025/26	0.1767	492	492	984	9,919	4.96	7.50

PSERS Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Payroll	Contributions as a % of Covered-Employee Payroll
2017/18	$ 40	$ 40	$ -	$ 9,618	0.41 %
2018/19	40	40	-	9,928	0.41
2019/20	38	38	-	9,193	0.41
2020/21	37	37	-	9,633	0.40
2021/22	38	38	-	9,642	0.40
2022/23	36	36	-	9,879	0.37
2023/24	33	33	-	10,436	0.31
2024/25	32	32	-	10,449	0.31
2025/26	31	31	-	10,240	0.30

Note to Schedule: This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
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Schedule of Proportionate Share of SERS Net Pension Liability (NPL)
Determined as of December 31 SERS Measurement Date
(in Thousands)

Fiscal Year	State System's Proportion	University's Proportion Share	University's Covered Employee Payroll	University's Proportionate Share of NPL as a % of Covered-Employee Payroll	SERS Fiduciary Net Position as a % of Total Pension Liability
2016/17	4.8370 %	$ 164,553	$ 53,131	310 %	57.8 %
2017/18	4.9059	149,052	54,311	275	63.0
2018/19	4.8971	179,352	55,998	320	56.4
2019/20	4.7732	151,167	54,880	275	63.1
2020/21	4.4196	144,236	53,135	271	67.0
2021/22	4.1777	110,238	50,615	218	76.0
2022/23	4.1504	171,502	51,291	334	61.5
2023/24	4.0628	154,772	51,941	298	65.3
2024/25	3.9837	142,072	52,329	272	67.7
2025/26	3.8656	114,079	50,576	226	73.3

SERS Schedule of Contributions
Determined as of June 30 Fiscal Year End
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by SERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2016/17	$ 13,846	$ 13,846	$ -	$ 52,817	27.2 %
2017/18	16,102	16,102	-	53,100	30.3
2018/19	16,981	16,981	-	54,762	30.2
2019/20	17,314	17,314	-	53,700	30.9
2020/21	16,921	16,921	-	52,468	21.3
2021/22	16,513	16,513	-	50,711	31.6
2022/23	16,680	16,680	-	50,984	32.7
2023/24	17,559	17,559	-	51,960	33.8
2024/25	16,379	16,379	-	50,182	32.6
2025/26	16,063	16,063	-	49,547	32.4

COMMONWEALTH UNIVERSITY OF PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2026
(UNAUDITED)
(SEE INDEPENDENT AUDITORS' REPORT)

Schedule of Proportionate Share of PSERS Net Pension Liability (NPL)
Determined as of June 30 PSERS Measurement Date
(in Thousands)

Fiscal Year	PSERS Net Pension Liability: State System's Proportion	PSERS Net Pension Liability: University's Proportion Share	PSERS Net Pension Liability: Commonwealth's Proportion Share	PSERS Net Pension Liability: Total	University's Covered Employee Payroll	University's Proportionate Share of NPL as a % of Covered-Employee Payroll	PSERS Fiduciary Net Position as a % of Total Pension Liability
2016/17	0.1833 %	$ 17,950	$ 17,950	$ 35,900	$ 9,383	200 %	50.1 %
2017/18	0.1811	17,138	17,138	34,276	9,543	200	51.8
2018/19	0.1836	16,898	16,898	33,796	9,478	200	54.0
2019/20	0.1886	16,547	16,547	33,094	9,756	200	55.7
2020/21	0.1856	15,837	15,837	31,674	1,502	1100	54.3
2021/22	0.1777	13,343	13,343	26,686	1,544	900	63.7
2022/23	0.1788	14,558	14,558	29,115	1,633	900	61.3
2023/24	0.1834	14,662	14,662	29,323	1,726	800	61.9
2024/25	0.1811	13,822	13,822	27,644	1,733	800	64.6
2025/26	0.1792	12,151	12,151	23,302	1,701	700	68.0

PSERS Schedule of Contributions
Determined as of June 30 Fiscal Year End
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2016/17	$ 1,362	$ 1,362	$ -	$ 9,395	14.5 %
2017/18	1,511	1,511	-	9,618	15.7
2018/19	1,607	1,607	-	9,927	16.1
2019/20	1,520	1,520	-	9,193	16.5
2020/21	1,598	1,598	-	9,633	16.5
2021/22	1,629	1,629	-	9,642	16.8
2022/23	1,679	1,679	-	9,879	17.0
2023/24	1,730	1,730	-	10,436	16.6
2024/25	1,709	1,709	-	10,449	16.4
2025/26	1,668	1,668	-	10,240	16.3



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